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

RESPONSE TO QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON CIRCULAR TO SHAREHOLDERS DATED 28 JUNE 2024

The Board of Directors (the "**Board**") of Aspen (Group) Holdings Limited (the "**Company**", and together with its subsidiaries, "**Aspen**" or the "**Group**") refers to the questions raised by the Securities Investors Association (Singapore) ("**SIAS**") relating to the Circular issued by the Company on 28 June 2024 and appends the replies as follows:-

SIAS Question 1

At the extraordinary general meeting scheduled to be held on 15 July 2024, shareholders will be asked to ratify the deed of mutual termination; approve the subscription cum shareholders' agreement; approve the lease agreement; and approve the proposed divestment. The proposed divestment entered into by the company on 8 May 2024 constitutes a major transaction and requires shareholders' approval.

The circular to shareholders can be found here:
https://links.sgx.com/FileOpen/Aspen_Circular%20to%20Shareholders.ashx?App=Announcement&FileID=808045

SGX-ST has also notified the company that the deed of mutual termination (dated 31 May 2023) by itself is deemed a major transaction that should have been subject to shareholders' approval.

(i) If shareholders ratify the deed of mutual termination and approve all the resolutions, what non-core businesses, if any, remain within the group?

(ii) What is the total amount of loss incurred by the group in its diversification into the manufacturing and distribution of rubber gloves?

(iii) What has been the total shareholder return over the past 3, 5 and 7 years since the IPO in 2017? Has the board held management accountable for its performance?

Company's Response to Question 1(i)

Since exiting the glove business, Aspen's remaining non-core business is its food and beverage business, operating ramen dining outlets under the "Kanada-Ya" brand.

Company's Response to Question 1(ii)

The gross loss incurred by the Group on the Company's investment in Aspen Glove Sdn. Bhd. ("**AGSB**") is approximately RM84.0 million, inclusive of the global settlement with Tialoc Malaysia

Sdn. Bhd. for RM40.0 million, as announced by the Company on 1 April 2024.

Company's Response to Question 1(iii)

The total shareholder returns over the past 3, 5 and 7 years are as follows:-

Earnings per share

	12 months ended 31.12.2017	**12 months ended 31.12.2019**	**18 months ended 30.6.2022**
Profit/(Loss) for the year attributable to owner of the Company (RM'000)	85,408	18,678	(180,145)
Number of weighted average shares ('000)	767,878	963,545	1,083,270
Earnings per share (RM cent)	11.12	1.94	(16.63)

The COVID-19 pandemic and severe post-pandemic supply chain disruptions, along with the unfortunate closure of Aspen's glove unit had impacted total shareholder returns. Notwithstanding, the management has been able to steer the Company to exit the glove business with significantly reduced financial losses and minimal disruption to Aspen's core business. Notably, the Company has also met all debt obligations of Aspen from 2019 to 2024 amounting to RM687.2 million, significantly reducing its net gearing and demonstrating proficient cash flow management despite the severe shock to Aspen's operations and cash flow due to the COVID-19 lockdowns and post-pandemic supply chain disruptions.

Going forward, with the completion of its ongoing Versa project and the upcoming Viluxe (Phase 2 & 3) project, Aspen will be able to fully settle its bank loan over Aspen Vision City ("**AVC**"), Aspen's largest project and land bank, the remaining future development land of approximately 84 acres in AVC will be unencumbered. Barring any unforeseen circumstances, the Board is of the view that the future development of the said 84 acres of land in AVC will contribute significantly with improved margins and cash flow as Aspen launches more projects in the coming years.

SIAS Question 2

The deed of mutual termination dated 31 May 2023 is considered a major transaction as the relative figure calculated based on Rules 1006(a) and (c) of the SGX Listing Manual exceeded 20%.

(i) Can the directors help shareholders better understand if they are familiar with the SGX Listing Rules? What challenges, if any, did the board face in not recognising that the deed of mutual termination exceeded the threshold outlined in Chapter 10 of the SGX Listing Manual, thus classifying it as a major transaction requiring shareholders' approval?

(ii) Did the directors, especially the independent directors, assess and are they satisfied with the adequacy and effectiveness of the group's internal controls, operational and compliance controls, and risk management policies and systems?

Company's Response to Question 2(i)

Based on the then forecasted cashflow of AGSB, AGSB would not have been able to pay Kulim Technology Park Corporation Sdn. Bhd. ("**KTPC**") the balance lease consideration payable in respect of the original lease land. This would have given rise to an event of default in accordance with the pertinent terms under the Lease Agreement dated 1 September 2020 ("**Original Lease Agreement**") signed between AGSB and KTPC, thereby enabling KTPC to terminate the lease and exercise the full extent of its termination rights under the Original Lease Agreement.

KTPC's rightful exercise and enforcement of its rights to terminate the Original Lease Agreement as the non-defaulting party would not have been subjected to Chapter 10 of the Listing Manual, requiring shareholders' approval.

Nevertheless, AGSB had managed to negotiate with KTPC for relaxation of KTPC's full termination rights and by entering into the Deed of Mutual Termination dated 31 May 2023 ("**Deed of Mutual Termination**") had secured:

(a) the full refund of the lease consideration paid by AGSB in respect of the original lease land amounting to RM28,423,120.00;
(b) the ex gratia payment of RM25,000,000.00 by KTPC; and
(c) removal of certain plant, equipment and machineries ("**PPE**") from the factory buildings.

The Board had considered all of the above factors and concluded that no shareholders' approval was required in accordance with the requirements of Chapter 10 of the Listing Manual for the Deed of Mutual Termination.

In addition, the management on an ongoing basis also consults with the Company's compliance advisor and had consulted on the non-applicability of Chapter 10 of the Listing Manual and the subsequent appropriate announcements in relation to the Deed of Mutual Termination.

Nevertheless, following the Company's consultation with Singapore Exchange Securities Trading Limited ("**SGX-ST**") on the applicability of Chapter 10 of the Listing Manual to the lease agreement entered between KTPC and KHTP Assets Sdn. Bhd. ("**KASB**"), SGX-ST has also deemed the Deed of Mutual Termination to be a major transaction and required the Company to seek shareholders' ratification of the Deed of Mutual Termination.

<u>Company's Response to Question 2(ii)</u>

The Board oversees the management in the design, implementation and monitoring of risk management and internal control systems of Aspen, and reviews on an annual basis the adequacy of Aspen's internal controls, operational and compliance controls, and risk management policies and systems established by the management.

In addition, the Audit Committee also conducts quarterly reviews of Aspen's risk management and internal control systems based on internal audit reports covering various areas across the Group.

Based on (i) the internal controls established and maintained by Aspen, (ii) work performed by the internal and external auditors, and (iii) reviews performed by the management, the Audit Committee and the Board, the Board is of the view that Aspen's internal controls, operational and compliance controls, and risk management policies and systems are adequate and effective.

<u>SIAS Question 3</u>

As noted in the letter to shareholders, the company's updated valuation of the Demised Premises was RM175 million while KTPC's valuation was RM152 million. The difference of

RM23 million has been attributed to different methodologies adopted by the respective valuers.

(i) What was the board's basis for considering the RM152 million offered by the buyer to be fair and reasonable?

(ii) Who led the negotiations with KTPC?

(iii) What roles or oversight functions did the independent directors play in the negotiation of the proposed divestment?

In addition, the company has disclosed that the proceeds arising from the proposed divestment will be used for the group's general working capital.

(iv) What is the amount of net proceeds from the proposed divestment?

(v) Did the board consider declaring a dividend from the net proceeds of the proposed divestment?

<u>Company's Response to Question 3(i)</u>

As explained in Section 7.6 of the Circular, the Board considers the RM152 million offered by the buyer, Kulim Technology Park Corporation Sdn. Bhd., as the basis of the value for the consideration for the proposed divestment of 70% of the Company's equity interest in KASB, to be fair and reasonable based on the following factors:-

(a) previous negotiations with third parties where the highest indicative offer was less than RM152 million and with untenable conditions attached;

(b) no brokerage fee or commission would need to be paid to agents as the proposed divestment was negotiated directly with the buyer; and

(c) the buyer is an existing shareholder of KASB, and hence is familiar with the business, operations and financial position of KASB, which would facilitate a smooth and expeditious completion of the transaction.

<u>Company's Response to Question 3(ii)</u>

The negotiations with KTPC were led by the President and Group Chief Executive Officer, Dato' Murly Manokharan.

<u>Company's Response to Question 3(iii)</u>

The Board, including the independent directors, actively participated in all deliberations and decisions related to the Proposed Divestment.

<u>Company's Response to Question 3(iv)</u>

As disclosed in Section 7.9 of the Circular, the net proceeds arising from the Proposed Divestment is estimated at RM72.6 million, after deducting the capital gain tax expected at 2% of the purchase consideration of RM74.1 million.

Company's Response to Question 3(v)

The Board will assess, *inter alia*, the Company's cash reserves, retained earnings and funds required for its operations and investment for its projects before considering any possible dividend payout. Furthermore, the Company is actively looking to expand its land bank and will make appropriate announcements to shareholders upon finalisation of these exercises. As such, cash retention for future expansion of the Company's property development sector remains a priority.

BY ORDER OF THE BOARD
Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
12 July 2024