



ASPIAL CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Registration Number: 197001030G)

**RESPONSE TO QUERIES FROM
THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”)
IN RESPECT OF THE COMPANY’S ANNUAL REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “**Board**”) of Aspial Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the queries raised by the SIAS in its email on 22 April 2024 in respect of the Company’s Annual Report for the financial year ended 31 December 2023 (“**FY2023**”).

The Company wishes to provide the following information in response to such queries:

SIAS’s Query

Q1. In his message to shareholders, the CEO made several comments and observations including:

“... As global core inflation rates gradually ease, global policy interest rate cuts are anticipated to trickle in the latter half of 2024. The transition towards a lower interest rate environment would be beneficial to the Group’s overall operations across all three core business segments through lower financing costs...” [emphasis added]

- (i) **Can the CEO provide more insight into management’s perspective on interest rates and clarify whether the group has strategically positioned itself to benefit from *anticipated* decreases in interest rates expected in the latter part of 2024?**

Company’s response:

Even though the Group will benefit from any global policy interest rate cuts, such rate reduction is not within the control of the Group. In FY2023, the Group had sold down its apartment units in its Australia 108 project and divested two development sites to generate cashflow and reduce its total loans & borrowings. The Group will actively explore new opportunities through strategic acquisitions and divestments in the pursuit of creating value and facilitating capital recycling to enhance yields within its portfolio of business and assets.

- (ii) **What effect would a “higher-for-longer” scenario have on the group’s cash flow and overall financial health?**

Company’s response:

*As shared in our Results Announcement FY2023 dated 23 February 2024 (“**FY2023 Results Announcement**”), the Group’s focused execution of key treasury initiatives and the divestment of property assets in FY2023 has collectively yielded a significant improvement in the Group’s debt-to-equity ratio and liquidity position.*

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
 For the financial year ended 31 December 2023

6. Finance costs

Group	
2023	2022
\$'000	\$'000
Interest expense on:	
- Term loans and short-term borrowings	36,565
- Medium-term notes	13,642
- Lease liabilities (Note 27(b))	2,401
- Others	68
	52,676
Amortisation of medium-term notes issuance fees	826
	53,302
	42,917

	Note	2023	2022
		\$'000	\$'000
Revenue			
Materials and subcontract costs	4	599,998	506,236
Employee benefits	6	(398,777)	(307,739)
Depreciation and amortisation		(71,507)	(67,749)
Finance costs	6	(33,937)	(33,255)
Other operating expenses		(53,302)	(42,917)
Interest income		(81,860)	(81,243)
Rental income		978	1,335
Other income		6,395	5,936
Share of results of associates	7	8,412	14,817
Share of results of a joint venture	14	5,084	1,108
Loss before tax		(15)	(34)
Income tax credit/(expense)	8	(18,531)	(3,505)
Loss for the year	28(a)	1,431	(8,241)
		(17,100)	(11,746)

(Adapted from company annual report; emphasis added)

As can be seen above, the group's finance costs increased to \$53.3 million in 2023. This contributed to the group's loss of \$(18.5) million.

- (iii) **Are high interest rates one of the key factors that eroded the group's profitability? Specifically, is there a concern that the group's operations, previously funded by low-cost credit, are now facing challenges in achieving profitability as interest expenses rise/stay high?**

Company's response:

As interest cost is part of the overall operating costs of the Group, any increase in costs (including interest cost) will have an unfavorable impact on the Group's profitability. As mentioned in our FY2023 Results Announcement, excluding foreign exchange losses and a non-recurring loss arising from the bulk sale of tenanted apartments and the under-provision of past years' land taxes, the Group's pre-tax losses would have been substantially lower. The Group expects an improved financial performance in FY2024 relative to FY2023, barring any adverse impact arising from foreign exchange movements, further increase in interest rates and/or revaluation adjustments.

- (iv) **What are management's priorities and strategies to return the group to profitability in FY2024?**

Company's response:

As mentioned in our FY2023 Results Announcement, the Group is committed to pursuing selective asset enhancement strategies for its current holdings, while actively exploring new opportunities through strategic acquisition and divestments in the pursuit of creating value and facilitating capital recycling to enhance yields within its portfolio of business and assets.

- Q2. In FY2023, pre-tax losses for the real estate business increased to \$(48.4) million from \$(34.3) million in FY2022. This increase was influenced by various factors, such as a decline in gross profit, losses from a bulk sale of the majority of tenanted apartments in the Australia 108 development, increased selling costs, higher finance costs, and an under-provision for past years' land taxes in Australia.

Although the group decreased its real estate loans, the higher interest rates led to elevated finance costs. The group has:

- \$149.7 million in carrying value of development properties located outside Singapore;
- \$153.0 million in carrying value of properties held for sale; and
- \$107.8 million in carrying value of investment properties (including 39 units at Australia 108)

- (i) **Can management provide an update on the progress of the Australia 108 project? How many units have been sold and how many remain as completed properties held for sale?**

Company's response:

Please refer to our FY2023 Results Announcement. From 1 January 2023 to 15 February 2024, the Group accomplished notable sales and settlements at its Australia 108 development where a total of 139 apartments were sold and settled (including 43 tenanted apartments in a bulk sale) that generated net sales proceeds of S\$76.0 million contributing net cash of S\$38.0 million (after loan repayments) to the Group. Additionally, as of February 15, 2024, the Group had secured contracted sales for an additional 22 apartments within the Australia 108 development, which are anticipated to settle over the next several months that will contribute approximately S\$12.8 million in net sales proceeds.

- (ii) **What are the challenges faced by the group in selling the units? Has management gathered market feedback regarding the development?**

Company's response:

As mentioned in FY2023 Results Announcement, CoreLogic¹ expects the housing market to continue trending higher in 2024, with inflation, interest rates, credit policy, consumer sentiment and demographic trends driving demand. RBA (Reserve Bank of Australia) has held the Australian Official Cash Rate at November's rate of 4.35% over the past 3 months.

The Group expects its Real Estate Business performance (excluding forex and revaluation gain/loss) to improve in FY2024 driven by improved margins from the sales of higher-level premium apartments, higher revenue for its hotel business, reduced holding costs and lower interest expenses.

- (iii) **Is the group putting on hold new development projects and landbank acquisitions? How has the group adjusted its approach to project development given its recent experience and the current market conditions?**

Company's response:

As stated in FY2023 Results Announcement, the Group is committed to pursuing selective asset enhancement strategies for its current holdings, while actively exploring new opportunities through strategic acquisition and divestments in the pursuit of creating value and facilitating capital recycling to enhance yields within its portfolio of business and assets. The Group takes a holistic view of its business and asset portfolio taking into consideration multiple factors such as global economy, geopolitical events and uncertainties, local economies of the countries in which we operate, opportunities, risks and return of our individual business.

¹ CoreLogic, Inc. is a leading provider of financial, property, and consumer information, analytics, and business intelligence based in Irvine, California.

- Q3. The group reported a loss of \$(17.1) million in 2023. In fact, loss for the year attributable to owners of the company increased from \$(14.7) million in 2022 to \$(23.5) million in 2023. Total comprehensive income attributable to owners of the company was \$(31.1) million (2022: \$(32.2) million).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2023

	Note	2023	2022
		\$'000	\$'000
Revenue	4	599,998	506,236
Materials and subcontract costs		(398,777)	(307,739)
Employee benefits	5	(71,507)	(67,749)
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Share of results of associates	14	5,084	1,108
Share of results of a joint venture		(15)	(34)
Loss before tax	8	(18,531)	(3,505)
Income tax credit/(expense)	28(a)	1,431	(8,241)
Loss for the year		(17,100)	(11,746)
(Loss)/profit for the year attributable to:			
Owners of the Company		(23,540)	(14,710)
Holders of perpetual securities		1,300	-
Non-controlling interests		5,140	2,964
		(17,100)	(11,746)
Total comprehensive income attributable to:			
Owners of the Company		(31,106)	(32,151)
Holders of perpetual securities		1,300	-
Non-controlling interests		4,821	1,990
		(24,985)	(30,161)

(Adapted from company annual report; emphasis added)

In the corporate governance report, it was shown that the executive directors received “Bonus, profit sharing” that accounted for approximately 30% of their remuneration package.

DISCLOSURE ON REMUNERATION (cont'd)

Principle 8: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration (cont'd)

Disclosure on Directors' Fees and Remuneration

A breakdown of the level and mix of the remuneration payable to each individual Director for FY2023 are as follows:

Remuneration Band	Director	FY2023		Fee (%)	Other Benefits (%)
		Salary (including CPF) (%)	Bonus, profit sharing (%)		
S\$250,000 to below S\$500,000	Koh Wee Seng	65	30	5	-
	Koh Lee Hwee	69	29	2	-
	Ko Lee Meng	-	-	100	-
Below S\$250,000	Wong Soon Yum	-	-	100	-
	Kau Jee Chu ⁽¹⁾	-	-	100	-
	Ng Bie Tjin @ Djuniarti Intan ⁽²⁾	-	-	100	-
	Ong Tuen Suan ⁽³⁾	-	-	100	-
	Goh Bee Leong ⁽⁴⁾	-	-	100	-

(1) Mr Kau Jee Chu retired as an Independent Director at the conclusion of the AGM held on 28 April 2023.

(2) Ms Ng Bie Tjin @ Djuniarti Intan has resigned as an Independent Director with effect from 31 October 2023.

(3) Mr Ong Tuen Suan was appointed as an Independent Director with effect from 29 April 2023.

(4) Ms Goh Bee Leong was appointed as an Independent Director with effect from 31 October 2023.

(Source: company annual report)

- (i) **Would the remuneration committee (RC) help shareholders better understand the justification(s) for the bonus/profit sharing paid to the executive directors especially considering the company/group has suffered years of losses?**

Company's response:

The remuneration packages of the Executive Directors and KMP are determined after taking into consideration market benchmarks for roles of similar responsibilities and accountabilities. For the Executive Directors, a significant and appropriate proportion of the Executive Directors' remuneration is structured as bonuses to link rewards to performance. The bonus/profit sharing paid to the Executive Directors for FY2023 refers to fixed bonus and there was no profit-sharing being paid out.

- (ii) **What key performance indicators were used to measure the performance of executive directors, and did these metrics also incorporate a high water mark to ensure alignment with sustained growth and value creation?**

Company's response:

The RC ensures that a significant and appropriate proportion of the Executive Directors' and KMP's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders to promote the long-term success of the Company.

- (iii) **Can the RC elaborate further on how the current compensation practices align with shareholders' interests? Specifically, can the RC help shareholders understand if the level and structure of remuneration are appropriate and proportionate to the sustained performance an**

Company's response:

The remuneration packages of the Executive Directors and the KMP comprise of a basic salary component and a variable component which is based on corporate and individual performance. The performance-related component of the remuneration package is designed to align the interests of the Executive Directors and the KMP with those of the shareholders. The RC ensures that the remuneration package is fair and competitive, so as to attract, retain and motivate them.

By Order of the Board

Lim Swee Ann
Company Secretary
26 April 2024