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 31 DECEMBER 2021 ("HY2022 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 16 February 2022 in relation to the Company's HY2022 Results.

SGX-ST's Query 1

Please disclose and elaborate on the reasons for the decrease in gross profit of 93% from RM64 million in the 6 months ended 31 December 2020 to RM4.3 million in the six months ended 31 December 2021 when revenues had only decreased by 64% across the same comparative periods. Please provide a breakdown of the segments to elaborate, if appropriate.

Company's Response

The decrease in the percentage of gross profit is higher than the decrease in revenue due to the difference in gross profit margins of the Group's various business segments and accounting treatment. For the property development segment, this was caused by the sale mix and accounting treatment on borrowing cost whereby capitalisation of borrowing costs ceases as soon as the entity intends to sell the part-constructed units. Hence, there was a one-off charging out of finance cost being capitalised. The healthcare segment recorded negative gross profit in HY2022. Although the healthcare segment commenced the commercial production of gloves in May 2021, the Group incurred significant pre-operating expenses and operating expenses for the trial run to progressively ramp up the production lines under Phase 1(a).

The breakdown of the Group's business segments is as follows:-

	Six months ended 31 December 2021			
	Property development	Healthcare	Others	Total
	RM million	RM million	RM million	RM million
External revenue	45.5	12.4	4.5	62.4
Cost of sales	(43.5)	(13.5)	(1.1)	(58.1)
Gross profit	2.0	(1.1)	3.4	4.3
Gross profit (%)	4.4%	(8.9%)	75.6%	6.9%

	Six months ended 31 December 2020			
	Property development	Healthcare	Others	Total
	RM million	RM million	RM million	RM million
External revenue	171.0	-	3.7	174.7
Cost of sales	(109.6)	-	(1.0)	(110.6)
Gross profit	61.4	-	2.7	64.0
Gross profit (%)	35.9%	-	73.0%	36.6%

SGX-ST's Query 2

Please disclose the underlying reasons for the increase in administrative expenses to RM36.2 million and RM65.6 million in the 6 months and 12 months ended 31 December 2021 respectively as compared to the previous comparative periods and elaborate on the material items resulting in the increase.

Company's Response

The increase in administrative expenses compared to the previous comparative periods was mainly due to the commencement of the healthcare segment where an amount of RM22.5 million of administrative expenses was incurred for the 12 months period ended 31 December 2021.

SGX-ST's Query 3

We note that share of results of equity accounted investees net of tax declined by 126% or RM78 million from a profit of RM62.1 million to a loss of RM16 million in the six months ended 31 December 2021. Please provide a discussion on the performance of each of the investee companies for a reasonable understanding of any significant factors that affected turnover, costs and earnings of these associated companies. Please also provide a discussion on the prospects of these investee companies and elaborate on the significant trends and competitive conditions of the industry in which these investee companies operate and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Company's Response

The decline of 126% on the share of results of equity accounted investees net of tax is mainly due to the impairment loss on the investment property held by one of the associates, as disclosed in note F.2 in the interim financial statements for the six months ended 31 December 2021. As at the date of this announcement, the Group has fully divested its interest in the associate, hence discussion on the performance is not relevant. Whereas in the interim financial statements for the six months ended 31 December 2020, there was a gain on revaluation of investment properties owned by Global Vision Logistics Sdn. Bhd. ("**GVL**"), a 30% owned associate company of the Group.

Currently, the Group has only one associate, i.e., GVL which holds 3 pieces of land collectively measuring approximately 71 acres situated in Section 16, Shah Alam, Selangor (the "**Land**"). GVL intends to launch a phased development of an integrated logistics and warehousing facility (the "**Project**") on the Land to capitalise on the growing demand for logistics and warehousing underpinned by increasing e-commerce activity globally. The total development area of the Project is expected to be 785,000 sqm and the gross leaseable area for the five (5) warehouse blocks will be approximately 589,000 sqm. Upon its completion, the Project is expected to be one of the largest one-stop logistics solutions providers in Malaysia. As at date of this announcement, GVL has obtained the development order from relevant authorities and is in the midst of preparing to commence construction activities in Q2 2022. In line with this GVL is currently finalising the project financing with financial institutions and also preparing to commence tender process for the construction of Phase 1 of the Project.

SGX-ST's Query 4

Please disclose:

a. the breakdown of the Group's non-current trade and other receivables amounting to RM7.5 million as at 31 December 2021 and the payment terms for these receivables;
b. the nature of the non-current receivables and explain why these receivables are non-current; and
c. the Board's assessment of the recoverability of the non-current trade and other receivables.

Company's Response

a. The Group's non-current trade and other receivables amounting to RM7.5 million as at 31 December 2021 consists of advances to associate, GVL amounting to RM6.4 million and refundable deposit paid amounting to RM1.1 million. The advance to associate will be reclassed to investment in associate once the shares are allotted. The refundable deposit is expected to be refunded within the next 3-5 years when the lease agreement ends.
b. The nature of the non-current receivable is as disclosed in the Company's response to SGX-ST's Query 4a above and is classified as non-current because its repayment is not expected to happen within one year.
c. Under the Board's assessment, there is no recoverability issue on non-current trade and other receivables.

SGX-ST's Query 5

Please disclose the reasons for the increase in contract costs from RM12 million as at 31 December 2020 to RM27.2 million at 31 December 2021 and elaborate on the material items.

Company's Response

Contract costs consist of commission fees paid to property agents and legal fees for securing sale contracts. The increase in contract costs from RM12.0 million as at 31 December 2020 to RM27.2 million as at 31 December 2021 was due to the increase of contract costs being capitalized is higher than contract cost being amortised based on revenue recognition principles outlined in Singapore Financial Reporting Standards (International) ("**SFRS(I)**"). Delay in construction progress and higher upfront capitalisation of agent's commission fees is the main reason for the increase.

SGX-ST's Query 6

Please provide the breakdown and elaborate on the material items for current other receivables. Please also provide an ageing schedule in bands of 3 months (upper band disclosed) and disclose when these receivables are due and the Board's assessment on whether they are collectible.

Company's Response

Current trade and other receivable consist of the following:-

Item	**Amount (RM million)**
Trade receivable	54.5
Other receivable	15.0
Deposit paid	2.7
Prepayment	8.5
	80.7

Included in current other receivables is RM14.4 million from Geo Valley Sdn. Bhd. Which was the settlement sum agreed on mutual termination of conditional sale and purchase agreement which was announced by the Company on 29 December 2021. As at date of this announcement, the full settlement sum has been received. The balance of RM0.6 million in current other receivables are immaterial items hence ageing schedule is not disclosed.

Under the Board's assessment, the recoverability of current other receivables is probable.

SGX-ST's Query 7

Please provide the breakdown by major items of the current trade and other payables amounting to RM457.7 million. Given that cash amounted to only RM26.4 million and RM516.2 million out of RM730 million of current assets are development properties, and noting the significant amount of trade and other payables due within 12 months amounting to RM457.7 mill, please disclose how the Company will be financing these repayments as and when they fall due.

Company's Response

Current trade and other payables consist of trade payable amounting to RM248.9 million and other payables amounting to RM208.8 million. Out of trade payable of RM248.9 million, only RM60.0 million is the current outstanding contractor claims on active development projects whereas RM45.3 million is retention sum and RM143.6 million is payable accrued for the respective projects. Trade payables of RM60.0 million are mainly contractors of 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 RM208.8 million mainly consist of other payables from the healthcare segment amounting to RM124.9 million, deposit received on disposal of investment in Bandar Cassia Properties (SC) Sdn. Bhd. ("**BCP**") amounting to RM20 million and accrual amounting to RM49.7 million. Other payable from the healthcare segment will be financed through cash from operations and bank borrowings and/or capital injections from respective shareholders. While RM20 million deposit received is no longer treated as payable as at date of this announcement as the divestment of the Group's interest in BCP has been approved by the Shareholders of the Company.

SGX-ST's Query 8

The Company had disclosed in its cash flow from investing activities the use of RM252.8 million for the acquisition of property, plant and equipment. Please provide a breakdown on the major property, plant or equipment comprised in this usage of RM252.8 million, when the amounts are due for payment, and how will these be financed when the amounts fall due.

Company's Response

As at 31 December 2021, the Group had invested RM252.8 million in acquiring land, constructing a manufacturing plant and equipping it with machineries for the production of medical grade examination gloves to create a revenue generating asset with the start of production in May 2021. The major components are a 29-acres land in the Kulim Hi-Tech Park, environmental, social, and governance (ESG) compliant factory buildings (plant) and production machines. Ancillary to these major items are lab equipment and furniture and fittings.

Type of PPE	RM million	Paid	Unpaid
Land, Buildings (Plant), Machineries, Lab Equipment, and fittings for Glove Manufacturing	252.8	129.7	123.1

The unpaid obligations are earmarked to be paid as they fall due at various stages within the financial year 2022. These will be financed through cash from operations and bank borrowings and/or capital injections from respective shareholders.

SGX-ST's Query 9

The Company disclosed in note E.18 the completion of the private placement of up to 100,000,000 new ordinary shares in the capital of the Company at the issue price of S$0.238 per placement share on 18 November 2020. Please disclose the use of proceeds and whether the use of proceeds is in accordance with the stated use and in accordance with the percentage allocated for the use of proceeds. Where the proceeds are used for general working capital purposes, please disclose the breakdown and details on use of the proceeds for working capital.

Company's Response

The use of proceeds was disclosed by the Company at note F.6 of the interim financial statements for the six months ended 30 June 2021 announced by the Company on 13 August 2021, as follows:-

> "The Company refers to the net proceeds amounting to S$23.68 million (excluding placement expenses of approximately S$0.12 million) raised from the private placement which was completed on 18 November 2020.
>
> As at the date of this announcement, the status on the use of the proceeds from the private placement is as follows:

Use of Net Proceeds from Private Placement	**Amount allocated**	**Amount utilised**	**Balance**
	S$'000	**S$'000**	**S$'000**
Capital expenditures for the growth of the Group's business	18,944	(18,944)(1)	-
General working capital purposes	4,736	(4,736)(2)	-
Total	23,680	(23,680)	-

Notes:

(1) S$18.94 million utilised for investment in Aspen Glove Sdn. Bhd. The exchange rate as at 31 December 2020 of RM3.0396: S$1.00 is used for the above compilation.

(2) S$4.74 million utilised for working capital consist of professional and consultancy payment of S$0.54 million, repayment of loan and borrowing including interest amounting to S$2.70 million, investment in subsidiary (Kanada-Ya) amounting to S$0.74 million and S$0.76 million for general operational and administrative expenses. The exchange rate as at 31 December 2020 of RM3.0396: S$1.00 is used for the above compilation."

> The proceeds from the private placement has been fully utilised and no more outstanding balance unutilised. As such, this concluded the update on the use of the proceeds from the private placement."

SGX-ST's Query 10

The Company disclosed in section F.2 that "the decline of revenue in the property development segment is due to a lower take up rate in the Group's property and slower construction progress due to the covid-19 pandemic." Please disclose details of the construction progress and take up rates to date.

Company's Response

The details of the construction progress and take up rates in the Group's projects are as at 31 December 2021 is as follows:-

Project	Construction progress (%)	Cumulative Sale [1] (In accordance to SFRS(I)) (%)	Cumulative Sale including bookings [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 SFRS(I), revenue is recognised only in respect of finalised sale contract where the sale and purchase agreement is stamped, financing obtained, and the differential sum is paid.*
[(2)] *The unbilled sales as at 31 December 2021 including bookings amounted to RM548.7 million.*

SGX-ST's Query 11

The Company disclosed in section F.2 that the loss of RM26.6 million is "mainly attributed to a lower gross profit due to the healthcare segment has not operating at its optimum level of operation to achieve cost efficiency at its infant stage of operation." Please disclose:

a. when the healthcare segment commenced operations;
b. what is the operating capacity; and
c. reasons why it is not operating at its optimum level, including an elaboration on the issues faced.

Company's Response

a. The healthcare segment was initiated in August 2020 and followed through with the acquisition of land, construction of an ESG compliant factory and equipping the plant with production machineries, lab equipment and fittings. These undertakings were done during the cloud of Covid-19 where a string of government imposed mandatory restrictions was in place that significantly affected mobility and interrupted progress. Eventually, production operations commenced in May 2021 under a constrained environment.
b. The design capacity for Phase 1(a) is in the range of 1.6 to 1.8 billion pieces of gloves per annum.
c. Optimal operations are where all production lines are running at its design capacity in an uninterrupted manner. As a start-up manufacturer, higher fixed cost vs variable cost is a norm. This higher fixed cost is generally distributed to the design capacity. The mandatory Covid-19 restrictions imposed on the operating environment, significantly impinged on reaching design capacity. These local constraints were further compounded by global supply chain disruptions where Aspen Glove Sdn. Bhd.'s ("AGSB") goods were not able to be shipped, in a timely manner, to its markets in the United State of America, Europe, United Kingdom and other parts of the world where gloves were needed. These factors in turn constrained optimal production of AGSB.

BY ORDER OF THE BOARD
Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
18 February 2022