

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

**RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) ON ANNUAL REPORT 2019**

The Board of Directors (the “**Board**”) of Aspen (Group) Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) relating to the Company’s Annual Report for the financial year ended 31 December 2019 (“**Annual Report 2019**”) and appends the replies as follows:

SIAS Question 1:

As noted in the Corporate milestones, in 2019, the group completed the Vervea commercial precinct which is the first phase of Aspen Vision City’s masterplan. This was followed by the opening of Ikea and IKEA Meeting Place in March 2019 and December 2019 respectively.

The group is targeting to complete Vertu Resort and Beacon Executive Suites in 2021, although the completion dates may be delayed due to the COVID-19 outbreak.

Other projects include:

- Vivo Executive Apartment (expected TOP: 2023)
- Viluxe (Phase1) (expected TOP: 2023)
- Vogue Lifestyle Residence

As at 31 December 2019, TRI PINNACLE and Beacon Executive Suites have achieved sales of 91% and 64% respectively. Vervea and Vertu Resort are 89% and 71% sold respectively.

- (i) With sales of 91% achieved, there are approximately 110-120 units left at TRI PINNACLE. What are management’s plans for the remaining units of TRI PINNACLE? The TOP for the project was obtained in December 2018.
- (ii) Can management confirm that it is the group’s strategy to sell the units in commercial developments (for example, Vervea) and thus it would not be building up an investment portfolio for recurring income at this stage of the group’s growth? It was stated the group envisioned the investments in Aloft Hotel, the Regional Integrated Shopping Centre and the Shah Alam Integrated Logistics Hub would contribute to its recurring income in years to come.
- (iii) Can management also provide shareholders with the group’s landbank and other opportunities? What are the plans for the Regional Integrated Shopping Centre and the Shah Alam Integrated Logistics Hub?
- (iv) The group has total loans and borrowings of RM432.6 million (page 122), including RM45.6 million of convertible loans that will mature in 2020. The group has total

equity of RM455 million. Gearing, as defined as total borrowings divided by total equity, is 1.08x. Has the board set a limit to the group’s gearing? Does the group have sufficient financial resources to fund its projects?

Response to Question 1

- (i) Efforts are ongoing to promote and market the remaining units of TRI PINNACLE, with recent focus on marketing via digital platforms for all of the Group’s projects. The response from the public is positive and sales is ongoing on a steady basis. However, the Group wishes to highlight that a portion of the units of TRI PINNACLE are of low-medium cost category which can only be sold to eligible purchasers approved by the Penang State Housing Division (“Housing Division”). There is constant follow up with the Housing Division to provide the name list of eligible purchasers.
- (ii) Currently, the individual shop lots in Vervea are intended for sale and not as part of the Group’s investment portfolio. The Group’s strategy is to increase the vibrancy and occupancy rate of Vervea by assisting owners with leasing activities with the intention to increase the project’s value. Apart from Vervea, the Group does not have any other commercial units which are completed or under construction.

Other commercial non retail developments such as the Vervea Trade and Exhibition Centre (“VTEC”) which is within the Vervea development and the land designated for petrol station development (43,560 sq. ft.) which forms part of Parcel 3, Mukim 13, Batu Kawan, Seberang Perai Selatan, Penang, Malaysia are also intended for sale. At present, only the Aloft Hotel, the Regional Integrated Shopping Centre and the Shah Alam Integrated Logistics Hub are in the Group’s investment portfolio for recurring income.

- (iii) To date, the landbank details of the Group are as follows:-

No.	Location & Title Details	Short Description of the Intended Development	Approx. Land Area (sq. ft.)	Tenure	% of Controlling Interest
1	Kajang, Selangor, Malaysia. Geran 334702, Lot No. 24739 (formerly known as Lot No. PT 38090), Bandar Batu 18, Semenyih, Daerah Ulu Langat, Selangor Darul Ehsan, Malaysia.	Serviced Apartments	247,075	Freehold	100%
2	Tanjung Bungah, Penang, Malaysia.	Mixed development	196,250	Freehold	100%

	GRN 2396 & 13575 corresponding with Lot No. 2601 and 3603 respectively, located at Bandar Tanjong Bungah, Daerah Timor Laut, Negeri Pulau Pinang, Malaysia.				(Development rights)
3	Batu Kawan, Penang, Malaysia. Parts of Parcel 3 and Parcel 5, Parcel 6, Lot 282, Mukim 13, Batu Kawan, Seberang Perai Selatan, Penang, Malaysia.	Mixed development	5,744,257	Freehold	80%
4	Batu Kawan, Penang, Malaysia. Parcel 1B, 4, Lot 282, Mukim 13, Batu Kawan, Seberang Perai Selatan, Penang, Malaysia.	Regional Integrated Shopping Centre & Mixed development	2,221,560	Freehold	30%
5	Shah Alam, Selangor, Malaysia. PN112585, Lot 818; HS(D) 135878, PT 757; HS(D) 135879, PT 757; all in Seksyen 16 Daerah Petaling, Bandar Shah Alam, Selangor, Malaysia.	Integrated Logistics Hub	3,216,343	Leasehold	30%

Other development opportunities of the Group, where definitive agreements are pending completion, are as follows:-

No.	Location & Title Details	Short Description of the Intended Development	Approx. Land Area (sq. ft.)	Tenure	% of Controlling Interest (On completion of definitive agreements)
1	Seri Kembangan, Selangor, Malaysia.	Serviced Apartments	131,159	Leasehold	100% (Development Rights)

	PN 91582, Lot 100012, Mukim Petaling, District of Petaling, Selangor, Malaysia.				
2	<p>Paya Terubong, Penang, Malaysia.</p> <p>No. PT 4108 held under No. H. S. (D) 19919; No. PT 4109 held under No. H. S. (D) 19920; No. PT 4110 held under No. H.S.(D) 19921; Lot No. 10290 held under Geran (First Grade) No. 91836; Lot No. 10292 held under Geran (First Grade) No. 91838; Lot No. 11257 held under Geran (First Grade) No. 102198; and Lot No. 20344 held under Geran (First Grade) No. 167863, all in Mukim 13, Daerah Timor Laut, Pulau Pinang</p>	Mixed development	1,265,244	Freehold	38.25%

Currently, the Regional Integrated Shopping Centre and the Shah Alam Integrated Logistics Hub are still under the planning stage and construction will be completed in phases, subject to market demand. The Group will update shareholders as and when there are material events involving the Regional Integrated Shopping Centre and the Shah Alam Integrated Logistics Hub.

- (iv) The Board is of the opinion that it is not necessary to set a limit in regard to the Group's gearing and the current gearing ratio is still reasonable for the property development industry in Malaysia where land acquisition is also one of the major cost at the outset. Due to the nature of the property development industry, construction is usually financed by a combination of bank borrowings and progressive payments from purchasers.

Bridging loans are utilized to bridge the timing differences between construction progress and progressive claims from purchasers. As such, gearing will be on the higher side at the beginning stages of development.

Given the above, the Group has sufficient financial resources to fund its projects.

SIAS Question 2:

As disclosed in Note 16 (page 120/121 – Loans and borrowings), the group has secured term loans with a carrying amount of RM9,749,000 as at 31 December 2019 with a covenant stating that a written consent shall be obtained from banks prior to the subsidiary making any advances to its related companies.

The company has disclosed that the covenant was breached as at 31 December 2019.

Accordingly, the bank loan is classified as current liabilities. Subsequent to the year end, the subsidiary has obtained written consent from the bank.

- (i) Can management elaborate further on the reasons for the advances to the related companies when it should be aware of the covenant of the term loans (which was newly obtained in 2019)?**
- (ii) Can the board/audit committee help shareholders understand if it had reviewed the adequacy and effectiveness of the system of internal controls, including financial, operational, compliance and information technology controls? If so, what are some of the key findings?**

Response to Question 2

- (i) The Management is aware of the banks' standard negative covenants. However, the Management was of the opinion that intercompany advances are common practices involving crossover expenses i.e. salaries and administrative cost which banks do not object to as long as repayment terms are met.**

Notwithstanding the technical breach, the Management is of the view that there was no financial risk to the Group. In the future, the Management will endeavour to obtain the necessary consent upfront.

- (ii) The Board and Audit Committee ("AC") review on an annual basis the adequacy of the Group's internal controls and risk management policies and systems established by the Management. Moreover, the Group has in place an independent internal auditor i.e. M/s BDO LLP, to assess the adequacy and effectiveness of the internal controls system. The AC had reviewed and adopted the recommendations of the internal audit report for the financial year ended 31 December 2019. There were no other key findings by the AC. The AC is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems were adequate and effective to address the risk that the Group considers relevant and material to its operations. Further explanation has been provided in page 73 of the Annual Report 2019.**

SIAS Question 3:

On 11 May 2020, the company announced that there are material differences between the unaudited results (first announced by the company on 29 February 2020) and the audited financial statements for FY2019 after the finalisation of audit.

The material variances were as large as RM 212.6 million due to reclassification. In fact, profit for the year increased from RM17.2 million to RM21.8 million following the finalisation of audit.

Reasons given for the material differences included:

- Reclassification on cost and inter-company's transaction elimination due to changes on common cost allocation among property, plant and equipment, non-current development properties, current development properties and contract costs
- Reclassification from inventories to non-current and current development properties
- RM14.98 million increase due to reclassification of advances received from receivables to trade and other payables
- RM0.12 million increase due to deposit received from purchaser being omitted
- Understatement of accruals
- RM2.88 million decrease due to reclassification of project's staff cost to cost of sales

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?
- (ii) Has the audit committee (AC) evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?
- (iii) Is the company (and its officers) familiar with Singapore Financial Reporting Standards (International)? The reasons for the material discrepancies included simple transactions, such as understatement of accruals, omission of deposits and reclassification of advances received from receivables to trade and other payables.
- (iv) Specifically, what was the level of involvement by the AC chairman and each of the AC members in the preparation of the financial statements? Has the AC been effective in the discharge of its responsibilities?
- (v) can the AC update shareholders on the improvements made/to be made to the group's financial reporting systems and processes?
- (vi) What guidance has the sponsor given to the company in the area of financial and reporting matters and the effectiveness and adequacy of the internal control and procedures (including accounting and financial controls and procedures)?

Response to Question 3

- (i) The CFO and relevant finance personnel of the Group have the necessary experience and qualifications and are familiar with the Singapore Financial Reporting Standards

(International) (“SFRS(I)s”) and the relevant Acts. The finance team works closely with the external auditors and the external auditors are consulted periodically on the application of new standards.

- (ii) The members of the AC have noted that during the audit period, there was a change in finance personnel at the managerial level of the Group resulting in some communication gaps with the audit field work team. The Management has been advised to take the necessary proactive action to bridge any gaps. Notwithstanding, the AC is of the opinion that the internal financial reporting / finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements.
- (iii) The Company and its officers are familiar with SFRS(I)s. The Group also wishes to explain that apart from the findings of the AC elaborated in item (ii) above, the Group’s audit is conducted by two (2) separate audit teams due to the Group’s operations being in Penang, Malaysia. Some of the reclassifications were caused by differences of opinions between the local audit field work team in Penang i.e. KPMG PLT and KPMG LLP. Nonetheless, improvements can and will be made to avoid large material variances by improving communication between the relevant internal and external personnel in charge of financial audit and strengthening the Group’s mid-level management.
- (iv) The AC Chairman and each of the AC members will have quarterly meetings with the management of the Group and the CFO to discuss the Group’s financial results and other financial issues prior to recommending the relevant financial results announcement to the Board for release to shareholders. The AC also has direct access to the CFO and senior finance personnel if they have any queries or comments prior to the meeting and after the meeting where amendments need to be made pursuant to discussions during the AC meeting. AC has also met the independent auditors without the presence of Management and given guidance where necessary on maintaining the integrity of the Group’s financial statements. The AC is of the view that it has effectively discharged its responsibilities.
- (v) The Group has taken immediate action to rectify any gaps in the Group’s financial reporting systems and processes, in particular, for the Group to strengthen its mid-level management through the recruitment of additional finance personnel, training and close supervision by Key Management personnel. There are also continuous efforts by the Group to strengthen its internal processes through internal audit findings and remedies and the overall better monitoring of operations and expeditious reporting.
- (vi) The Sponsor provides guidance and/or reminders to the Company in relation to its continuing listing obligations under the Catalist Rules on an ongoing basis and together with other relevant professionals, when required. The Sponsor enquires keenly on key matters faced by the Group and thereafter provides relevant feedback to the Company’s management and board of directors on market and regulatory expectations in order to enhance the Company’s decision making and to ensure that the Company meets its continuing obligations. The Sponsor will work with other professionals, such as the Group’s external and internal auditors and legal counsels, to offer recommendations to strengthen the Group’s internal controls and procedures on a timely basis.

BY ORDER OF THE BOARD

Aspen (Group) Holdings Limited

Dato' Murly Manokharan
President and Group Chief Executive Officer
23 June 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Jennifer Tan, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).