



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: Aspen (Group) Holdings Limited

Stock code: 1F3

Meeting details:

Date: 31 October 2022

Time: 10.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. For the 18-month financial period ended 30 June 2022, the group recorded a loss after tax of RM(213.1) million compared to a profit after tax of RM75.8 million for the 12 months ended 31 December 2020. This was mainly due to the impairment loss of machinery on glove manufacturing amounting to RM(72.2) million and impairment loss on factory building amounting to RM(26.2) million.

Loss attributable to shareholders amounted to RM(180.1) million.

In the message from the president and group CEO (page 6), he said the following:

*The healthcare sector that we expected to contribute positively to the Group took a severe hit when the demand for gloves experienced an off-the-cliff plunge worldwide. We were **caught off-guard** by an onslaught of issues ranging from lower average selling price ("ASP") and significant increase in operating costs... This was a global phenomenon that **none could have anticipated**, and we went to great lengths to strategise and manoeuvre around the challenges in an effort to turn the situation around [emphasis added].*

- (i) **Can the company help shareholders better understand the board approval process for the diversification into the healthcare business?**
- (ii) **What was the level of due diligence carried out by the company and by the board?**
- (iii) **Did the company and the board, especially the independent directors, carry out a comprehensive risk assessment? What were the key risks identified before the company invested in the healthcare sector? Was the decline in ASP of gloves not one of the key risks identified?**

Separately, it is noted that the company and the executive directors were reprimanded by SGX-ST Listings Disciplinary Committee for breaching, or for causing the company to breach, Mainboard Rules 703 and 719(1). The details can be found here: <https://www.sgx.com/regulation/public-disciplinary-actions/sgx-st-listings-disciplinary-committee-reprimands-aspen>

On page 86, it was disclosed that the nominating committee (NC) had recommended and the board has agreed that Ir Anilarasu Amaranazan (group managing director) be re-elected as a director.

- (iv) **Can the NC elaborate further on its recommendation for the re-election of Ir Anilarasu Amaranazan given his reprimand by the SGX-ST Listings Disciplinary Committee (LDC) for causing the company to breach Mainboard Rules 703 and 719(1)?**

- (v) **Similarly, would the NC be reviewing the suitability of the executive directors who have been reprimanded by the LDC to continue in their offices as directors of the company?**
- (vi) **What additional safeguards have been introduced by the board to better ensure that the company, its directors and its executives comply with the listing rules?**

Q2. On page 10, it was disclosed that the take-up rate of the group's development projects have improved. Going forward, the group will focus on its flagship development Aspen Vision City at Batu Kawan. The group also intends to launch three new projects, namely Versa, VII0 and Viluxe Phase 2 and Phase 3.

The total gross development value is estimated to be RM725 million. Cash and cash equivalents as at 30 June 2022 amounted to RM26.7 million (page 120 – Consolidated statement of cash flows).

- (i) **Does the group have the financial resources to fund these projects?**
- (ii) **How have the group's strategy and approach to the core business of real estate development evolved over the past 2.5 years of the pandemic?**
- (iii) **As shown in Note 8 (page 154 – Development properties), the carrying value of completed units have increased to RM132.4 million from RM44.8 million. Can management show a breakdown of the completed units by project and by number of units? Would it be prudent to sell down the inventory before committing additional capital to new phases/projects?**
- (iv) **In addition, the group divested its 30% interest in Bandar Cassia Properties Sdn Bhd (BCP) at a loss. Can management elaborate further on the working relationship and ongoing projects with BCP/Ikano? How does the group ensure that the development of BCP remains aligned with and is complementary to the group's overall development plans?**
- (v) **Separately, would the board/management provide shareholders greater clarity on the following items in the financial statements and in the notes to the financial statements? Specifically:**
 - (a) Trade receivables (Note 12): What are the reasons that (current) trade receivables increased from RM14.3 million as at 31 December 2020 to RM62.4 million as at 30 June 2022?**

(b) Other payables (Note 15): Similarly, why has the carrying value of “Other payables” increased from RM9.6 million to RM245.4 million?

(c) Expected credit loss (Note 29): Why is there an increase in trade receivables and contract assets past due? What are management’s efforts to collect on its outstanding debts? How did management carry out the loss assessment?

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 30 June/31 December:

	Weighted average loss rate %	Gross carrying amount RM'000	Group Impairment loss allowance RM'000	Net carrying amount RM'000	Credit impaired
2022					
Current (not past due)	–	102,511	–	102,511	No
1 to 30 days past due	–	6,144	–	6,144	No
31 to 120 days past due	–	11,148	–	11,148	No
Over 120 days past due	–	2,577	–	2,577	No
		<u>122,380</u>	<u>–</u>	<u>112,380</u>	
2020					
Current (not past due)	–	110,053	–	110,053	No
1 to 30 days past due	–	1,116	–	1,116	No
31 to 120 days past due	–	81	–	81	No
Over 120 days past due	–	241	–	241	No
		<u>111,491</u>	<u>–</u>	<u>111,491</u>	

(Source: company annual report)

Q3. On 16 October 2022, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial period ended 30 June 2022 following the finalisation of audit.

The announcement on the unaudited financial results for the financial period ended 30 June 2022 was first released via SGXNet on 29 August 2022. The announcement of material differences came nearly 7 weeks after the company first announced the unaudited financial statements.

Property, plant and equipment decreased by RM(68.2) million, trade and other receivables declined RM(84.4) million and loss after tax was RM(213.1) million instead of RM(146.5) million.

Reasons given included:

- recognition of a further impairment loss on factory building and plant and machinery amounting to RM26.2 million and RM40.4 million respectively
- reversal of contract costs over-classified to development properties amounting to RM32.7 million
- amount owing by subsidiaries was written down by RM84.4 million due to provision for expected credit loss
- “Acquisition of property, plant and equipment in investing activity” amounting to RM38.2 million was overstated and adjusted to “changes in development properties”

- Reclassification of “proceeds from sale of an associate in investing activity” to “changes in trade and other receivables” amounting to RM15.2 million for repayment of advance by an associate.

Details can be found here:

[https://links.sgx.com/1.0.0/corporate-](https://links.sgx.com/1.0.0/corporate-announcements/9IOF7GKF4K7O3EPZ/4cd60b2022e727b8c5b9b2c7db26d46bba243cb61748e9bea270fbe3877abb1f)

[announcements/9IOF7GKF4K7O3EPZ/4cd60b2022e727b8c5b9b2c7db26d46bba243cb61748e9bea270fbe3877abb1f](https://links.sgx.com/1.0.0/corporate-announcements/9IOF7GKF4K7O3EPZ/4cd60b2022e727b8c5b9b2c7db26d46bba243cb61748e9bea270fbe3877abb1f)

- (i) **Is the group (including its officers) familiar with the Singapore Financial Reporting Standards (International) (SFRS(I))? What were the underlying reasons that impairments were omitted and reclassifications were necessary?**
- (ii) **How can shareholders get assurance from management that the financial statements are prepared in accordance with the relevant Act and financial reporting standards?**
- (iii) **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?**
- (iv) **Can the AC help shareholders better understand if it has discharged its duties objectively (Principle 10 of the Code of corporate governance 2018)? If so, how so?**
- (v) **What changes have been made/will be made to the group’s financial reporting systems and processes?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation

(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)

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