



ASPIAL CORPORATION LIMITED

(Incorporated in the Republic of Singapore)

(Registration Number: 197001030G)

**RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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 Securities Investors Association (Singapore) (“**SIAS**”) in respect of the Company’s Annual Report for the financial year ended 31 December 2020.

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

SIAS Queries:

- 1) As noted in the message by the CEO, the company announced the proposed acquisition of World Class Global Limited (WCG) on 12 March 2021 by way of a scheme of arrangement (page 2).

It was disclosed that this is consistent with group’s strategy to simplify and optimise the group’s structure and reduce organisational complexity. It will allow the group to enhance its flexibility, enabling it to mobilise and optimise resources across its businesses.

Under the proposed scheme, the company will pay \$0.21 for each WCG share which will be satisfied entirely via the allotment and issuance of 1.1052 new ordinary shares in the capital of the company at an issue price of \$0.19 per share.

- i) Can the board help shareholders understand how it had decided on the exchange ratio, i.e. \$0.21 per WCG share to be acquired and \$0.19 per new share to be issued?

Company response:

Please refer to para 2.3 (iii) of the Company’s Circular dated 21 April 2021 which sets out the factors taken into consideration in arriving at the exchange ratio.

- ii) What are the estimated professional fees that will be incurred?

Company response:

Please refer to para 3.5 of the Company’s Circular dated 21 April 2021. The transaction costs is approximately S\$0.8 million.

- iii) With the proposed scheme, will the board be focusing more on its core businesses and carry out fewer corporate actions that do not seem to have created long term value for shareholders?

Company response:

As mentioned in para 3 of the Circular dated 21 April 2021 "Rationale for and benefits of the proposed acquisition", the proposed acquisition will create long term value for shareholders.

In addition, the company holds approximately 65% of Maxi-Cash Financial Services Corporation Ltd and the free float of Maxi-Cash is just 16.7%.

- iv) With the board's strategy to simplify and optimise the group's structure, does the board see any benefit to acquire Maxi-Cash to further simplify the group structure and to reduce the group's overall compliance efforts (including time and costs)?

Company response:

The Group will continue to focus on its fundamentals, strengthen its core competencies and competitive edge so that it can continue to grow. The Group will also continue to explore new business opportunities, transform and consolidate its existing businesses to improve effectiveness and efficiency, and synergise and optimise resources across all its businesses.

- 2) The retail and trading of jewellery was impacted by the volatile gold price, supply chain disruption and various movement control measures (page 3). Despite revenue decreasing by 28% to \$99.4 million, the segment recorded a pre-tax profit of \$10.4 million against a pre-tax loss of \$0.4 million in FY2019.

- i) Can management help shareholders understand the main factors that contributed to the higher earnings?

Company response:

Note to the question - The retail and trading business of jewellery refers to the Group's Financial Service Business but the revenue of \$99.4 million refers to the Group's Jewellery Business. The Company will answer the questions based on the Groups Jewellery Business as the question is related to earnings.

Please refer to page 6 "Business Review" of the Annual Report for the review of the Jewellery Business. The higher pre-tax profit was contributed by Singapore and overseas jewellery businesses, and its gold bullion business.

- ii) Can management elaborate further on its strategy to manage the volatility in the price of gold?

Company response:

The Group takes into consideration factors such as sales revenue and store network to determine the level of its gold inventory. The Group replenishes its inventory in line with its sales.

In addition, on page 82 (Note 4 - Revenue: Disaggregation of revenue), income from secured lending dropped from \$7.94 million to \$2.88 million in FY2020.

- iii) What is the LTV for the group's secured lending business? Is the secured lending business deliberately managed down for prudence in view of the uncertainties in the market?

Company response:

The LTV of its secured lending business varies and the specific LTV depends on a host of factors such as country, economy, borrower and project risks.

- 3) In Note 35 (page 142 – Financial risk management objectives and policies: Foreign currency risk), the sensitivity analysis for foreign currency risk is shown in the table (reproduced below):

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, HKD, MYR and AUD exchange rates (against SGD), with all other variables held constant.

	Profit before tax 2020 \$'000 (lower)/higher	Profit before tax 2019 \$'000 (lower)/higher
USD – strengthened 5% (2019: 5%)	(143)	(108)
– weakened 5% (2019: 5%)	143	108
HKD – strengthened 5% (2019: 5%)	(50)	(54)
– weakened 5% (2019: 5%)	50	54
MYR – strengthened 5% (2019: 5%)	5,003	6,416
– weakened 5% (2019: 5%)	(5,003)	(6,416)
AUD – strengthened 5% (2019: 5%)	948	7,005
– weakened 5% (2019: 5%)	(948)	(7,005)

(Source: company annual report)

The group is most exposed to currency fluctuation in the Malaysian Ringgit.

This is due to the currency translation risk arising from its net investments in foreign operations, including Malaysia (and Australia). As disclosed in Note 22, the group entered into forward currency contracts during the financial year for reducing its exposure to foreign currency risks on AUD. The group's net investments in Malaysia are not hedged as currency positions in MYR are considered to be long-term in nature.

- i) Can management confirm that fluctuations in AUD will not have a significant impact on the group as there are derivatives in place to hedge the group's exposure? If so, how effective are the currency derivatives?

Company response:

The Group's hedging strategy takes into consideration various factors such as hedging costs, cashflow visibility, the availability of forward contract of a particular currency, etc. Based on the hedging done by the Group in 2020, the fluctuations of AUD did not have any significant impact on the Group.

- ii) What is the reason that the board deems its investments in Malaysia as “long-term”? By not hedging the group’s net investments in Malaysia, is the board also taking a view on the SGD/MYR exchange rate?

Company response:

The Board deems its investments in Malaysia as long-term as majority of its assets in Malaysia are freehold land, leasehold building and investment properties. Some of the assets are used for its hotel operations.

As mentioned above, the Group's hedging strategy takes into consideration various factors such as hedging costs, cashflow visibility, the availability of forward contract of a particular currency, etc.

Responsibility Statement

The directors of the Company (including any who may have delegated detailed supervision of the preparation of this Announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Announcement which relate to the Company are fair and accurate and that there are no other facts not contained in this Announcement, the omission of which would make any statement in this Announcement misleading. The directors of the Company jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the directors of the Company has been to ensure that, through reasonable enquiries, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Announcement.

By Order of the Board

Lim Swee Ann
Company Secretary
30 April 2021