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Issuer: Aspen (Group) Holdings Limited

Stock code: 1F3

Meeting details:

Date: 25 June 2020

Time: 10.00 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. 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?**

Q2. 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?**

Q3. 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)?**

[^]Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

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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[^] Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)