ONEAPEX

ONEAPEX LIMITED
(Incorporated in the Republic of Singapore)
Company Registration No.: 201020806C

RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

The Board of Directors (the "**Board**") of OneApex Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to questions raised by Securities Investors Association (Singapore) ("**SIAS**") in relation to the Company's annual report for the financial year ended 30 September 2020 ("**Annual Report 2020**"). The questions raised by SIAS and the Company's corresponding responses are set out below.

For the avoidance of doubt, the Company does not respond to the commentaries made by SIAS since they merely set out the context of the questions raised.

Q1. As noted in the CEO's statement and financial review, with the disposal of Chew's Food International Limited, the group's continuing operations comprise the property business and the financial services business.

As disclosed in Note 10 (pages 80 to 81 – Investment properties), the group has invested in 3 investment properties, namely 14, 16 & 18 Kim Chuan Terrace, which have a combined carrying value of $31.3 million.

(i) What are the redevelopment plans (including timeline) for the newly acquired properties at Kim Chuan Terrace?

<u>Company's response:</u>

As disclosed in the circular to the Company's shareholders ("**Shareholders**") dated 29 May 2020 (the "**Circular**"), the Group originally intended to tear down the existing developments and re-develop the properties at 14, 16 & 18 Kim Chuan Terrace (the "**Kim Chuan Properties**") to construct strata-titled food factory industrial units (the "**Proposed Developments**"). However, it was also disclosed that the Board may consider the evolving market conditions and elect to undertake a review of the Proposed Developments with a view to optimise the potential of the Kim Chuan Properties and make changes to the re-development plans of the Kim Chuan Properties.

As at the date of this announcement, the Board is still reviewing the Company's options in light of the evolving economic situation, of which the re-development to construct strata-titled food factory industrial units is still under the Group's consideration, amongst other options. The Company will make further announcements to provide timely updates on the future development plans of the Kim Chuan Properties.

(ii) What is the expected cost to redevelop Kim Chuan Terrace? How will the group be funding the redevelopment of the investment properties?

<u>Company's response:</u>

Based on preliminary estimates, the expected development cost for re-developing the Kim Chuan Properties into strata-titled food factory industrial units is in the range of S$13 million to S$15 million.

As disclosed in the Circular, KC Industries Pte Ltd (the "**Target Company**") has taken up a bank loan of approximately S$39.2 million for the financing and re-development of the Kim Chuan Properties ("**Bank Loan**"). As at the date of this announcement, the Target Company has undrawn facilities of approximately S$14.1 million under the Bank Loan. Any remaining costs will be funded using either the Target Company's internal resources or, if and when the need arises, further equity injections from the Target Company's shareholders on an equal-sharing basis.

It is noted that the group will continue to monitor the property market for any suitable acquisition and/or investment opportunities.

(iii) In screening for investment opportunities, what are management's considerations and selection criteria? Is management's focus on redevelopment, asset enhancement or yield?

<u>Company's response:</u>

The decision on whether any investment opportunities/ acquisitions would be undertaken by the Group will be made by the Board after taking into consideration a range of factors, such as the nature and scale of each project, amount of investment required and risks associated with such an investment, nature of expertise required, the period of time that is required to complete the project as well as market conditions in the property industry.

Whether the focus is on redevelopment, asset enhancement or yield will be dependent on the characteristics of the shortlisted property/asset when the investment opportunity is evaluated.

In addition, the group impaired $100,000 due to the "withdrawal of plan for a project lease agreement to manage and operate a hostel" (page 84). The group has also invested $2.1 million in Tuas Seatown Dormitory Pte Ltd., a 30% associated company, which holds a three-storey workers' dormitory at 69H Tuas South Avenue 1.

(iv) Would the board provide shareholders with a holistic overview of the group's plans and business model in its property management, property development and property investment segments? The annual report is bereft of information to help shareholders understand the strategy, the prospects and the risks associated with the group's operations.

<u>Company's response:</u>

The Group's property business is intended to consist of:

a. investments into various properties for rental income and/or capital growth ("**Property Investment Business**");
b. management of various properties, with a focus on hotels, hostels and food and beverage outlets, for the collection of fees for the provision of property related services and facilities ("**Property Management Business**"); and
c. property development activities including the acquisition, development and/or sale of commercial and residential properties and hotels ("**Property Development Business**").

The Group intends to focus its various property businesses efforts initially in Singapore because the management team is familiar with and has a wide network of business associates to leverage on in seeking out profitable opportunities in Singapore's property industry. The Group may subsequently venture overseas when a suitable opportunity arises. The Company has been providing shareholders with a periodic update on, among others, the conditions and prospects of, as well as the Group's focus in the property market in its half-yearly and annual results announcement. Furthermore, the risks associated with the Group's operations in the property business have been previously disclosed in the circular to Shareholders dated 9 January 2019 in respect of the proposed diversification of the Group's business to include the property business and the financial investments services business (the "**Diversification Circular**").

(v) In particular, what is management's role and its level of influence in the operations of the dormitory given its minority stake?

<u>Company's response:</u>

The management of the associate company, Tuas Seatown Dormitory Pte. Ltd. ("**Tuas Seatown**") is governed by a shareholders' agreement entered into amongst its shareholders ("**Shareholders' Agreement**"). In accordance with the Shareholders' Agreement, the day-to-day operation decisions are made and executed by its directors (our Group's chief financial officer is a director of Tuas Seatown) and where there are significant and/or key decisions to be made, unanimous shareholders' approval is required.

Regular directors' meetings are held by the board of Tuas Seatown Dormitory Pte. Ltd. to review its operations as well as to make operational and strategic decisions.

Q2. Other than the property business, the group's other core business is its "financial services" business. It was highlighted that OneApex Capital Pte Ltd ("OAC") had received its licensed fund management company ("LFMC") license from the Monetary Authority of Singapore on 12 March 2020.

In Note 13 (pages 84 to 87 – Investment in subsidiaries), it can be seen that OAC recognised revenue of $1.1 million in FY2020 and reported a profit for the year of $62,296. The group made the payment of $168,000 in contingent consideration arrangement which was contingent on OAC achieving an asset under management equivalent to $50,000,000 by 7 April 2020 (Note 28 – Acquisition of subsidiary; page 106).

However, other than Note 13 and Note 28, the annual report lacks information on the business model, operating performance and prospects of OAC.

(i) Would the directors be reviewing the group's disclosures in the annual report to include relevant information about the Group's strategies, risks and prospects so that shareholders can better understand the Group?

<u>Company's response:</u>

OAC was incorporated on 5 July 2018. Since then, OAC has concentrated on the External Asset Managers (EAM) business whereby we provide professional wealth management advisory to High Net-worth Individuals (HNWI) and corporations in return for revenue fees sharing with the respective private banks. OAC also introduces accredited investors to financial institutions in return for introducer fees.

The Board will consider making additional disclosures by way of public announcement or in its annual report(s) at an appropriate time on the developments of the business of OAC. Notwithstanding, the Company has been providing shareholders with a periodic update on, among others, the development of the Group's financial investments services business in its half-yearly and annual results announcement. Furthermore, the risks associated with the Group's operations in the financial investments services business have been previously disclosed in the Diversification Circular.

(ii) What is the investment mandate of OAC?

<u>Company's response:</u>

As at date of this announcement, OAC has not yet established any funds. Going forward, when any new funds have been established/raised, the investment mandate will be defined on an individual fund basis.

(iii) What is the track record of OAC compared in the past 3 years, 5 years and since inception?

Company's response:

OAC was only incorporated on 5 July 2018 and received its LFMC license on 12 March 2020. Accordingly and having regard to the Company's response to question 2(ii) above, there is no available 3 or 5 year track record to provide a comparison in terms of conducting fund management.

(iv) What is the value proposition of OAC compared to other fund managers? How does OAC intend to further increase its AUM?

Company's response:

Creating value for its investors in a responsible and sustainable way is core to OAC's investment philosophy. As a subsidiary of the Company, OAC is able to leverage on the Company's industry specialist knowledge, operational experience and network in the property sector to unlock and create value throughout the investment lifecycle. This differentiates us from other investment firms.

OAC is also constantly on the lookout to hire reputable and experience finance professionals to join its team to increase its asset under management ("**AUM**").

(v) Can management elaborate further on the business model of OAC? What is the current AUM?

Company's response:

Currently OAC is focused on its wealth management business, in particular the External Asset Managers (EAM) business whereby OAC provides professional wealth management advisory to High Net-worth Individuals (HNWI) and corporations in return for revenue fees sharing with the respective private banks who referred the HNWI and corporations to OAC. OAC also introduces accredited investors to financial institutions in return for introducer fees. For this segment, the AUM is in excess of US$200 million.

It is envisioned that OAC will primarily support the property businesses of the Group by allowing the Group to leverage and benefit from access to a pool of capital and high net worth clients seeking investment opportunities.

As the Group has only made its first acquisition in its property business in FY2020, the Group will seek to expand its fund management business to both support its property businesses in its future acquisitions as well as to add a new revenue stream.

(vi) Other than the executive director, how big is the executive team at OAC? What is the collective expertise and bench strength of OAC in key functional areas such as compliance, risk management, marketing, audit etc?

Company's response:

The executive director, Mr. Chiu Joon Sun ("**Mr. Chiu**"), has more than a decade of experience in the financial industry, in particular wealth management. Prior to joining the Group, Mr. Chiu held a number of senior financial positions in major financial institutions including Oversea-Chinese Banking Corporation Limited, United Overseas Bank Limited, UBS Group AG and Nomura Singapore Limited. Over the past 13 years, he has accumulated extensive knowledge and experience in the Singapore financial markets covering diverse activities such as banking, capital markets, corporate finance, securities brokerage and investment portfolio management for the ultra-high net-worth individuals.

Mr. Alex Tan Pei Hong ("**Mr. Alex Tan**"), who is also the Group's chief executive officer and executive director, was previously the General Manager of Yi Kai Development Pte Ltd ("**Yi Kai**"), a business owned by his family. Yi Kai has been established in Singapore since 1985 and is engaged in providing real estate development services, specialising in both commercial and residential property developments in Singapore. Prior to his appointment, Mr. Alex Tan was the chief operation officer of Prime Asia Asset Management Pte. Ltd., a Registered Fund Management Company approved by the Monetary Authority of Singapore, where he set up the wealth management department.

The Group's chief financial officer, Mr. Ron Loi ("**Ron**"), joined the Group in July 2019. He has more than 15 years of experience in management and finance related fields covering logistics, property, hospitality, entertainment and retail industries. He is responsible for all financial and management reporting, taxation, regulatory compliance and corporate secretarial matters of the Group. Prior to joining the Group, Ron was the chief financial officer of Scorpio East Holdings Ltd. and KOP Limited which are companies listed on the Catalist of the SGX-ST, and Koon Holdings Limited which is listed on the Main Board of the SGX-ST.

Based on the experience of the executive team, the Board believes OAC has sufficient collective expertise in key functional areas.

Q3. The company does not have a dividend policy. For FY2020, it has not declared a dividend as the company deemed it necessary to retain cash in the group for its future growth.

The group has gone from a net cash position in FY2019 to a net debt position as at the end of the financial year as it scaled up its property business. Bank loans amounted to $25.04 million, with the group in a net debt position of $18.1 million. Net debt-equity ratio stood at 1.27x as shown in Note 29(c) (page 114). The group's gearing (based on total borrowings/shareholders' funds) is 2.38x (page 137).

(i) What deliberations did the board have over the recommendation of dividend for FY2020?

<u>Company's response:</u>

The Board has primarily considered the profitability of the Company in FY2020 as well as the cash requirements of the Company. Based on this, the Board notes that the Company does not have available profits to declare dividends for FY2020, and that it is necessary to retain the cash in the Group for its future growth.

(ii) Would the board be formalising a dividend policy?

<u>Company's response:</u>

The Board has no plans to formalise a dividend policy at this juncture. Although there is currently no dividend policy, the Board has every intention to pay dividends whenever circumstances permit and whenever appropriate.

(iii) How does the board intend to balance the need to retain cash in the group to support its growth and the need to provide steady returns in the form of regular dividends to its capital providers?

<u>Company's response:</u>

The Board bears in mind the need to provide steady returns in the form of regular dividends to its capital providers. At the same time, the Board recognises that the Group has only made its first acquisition in the property business in FY2020 and is still in the midst of developing and growing the new business segments under the property business and the financial investment service business, which the Company had sought and obtained Shareholders' approval for in January 2019. The Board, as and when necessary, will review the long-term plans and the operations of the Group to ensure that it provides returns to shareholders whilst supporting the Group's growth and operations.

(iv) In addition, has the board set a limit to the amount of leverage that can be employed to support the group's growth plans?

Company's response:

The Group's property business is capital intensive in nature and relies on (i) financing from financial institutions; (ii) equity; and (iii) shareholder's borrowings. The Group actively monitors its debt levels and reviews its gearing ratio on a regular basis, taking into account internal and external factors including cash flows generated from the businesses, existing cash position and interest rates environment.

By Order of the Board

Tan Pei Hong, Alex (Chen Peifeng)
Executive Director and Chief Executive Officer

27 January 2021

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*This announcement has been prepared by the Company and reviewed by the Company's Sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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