Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Pine Capital Group Limited (formerly known as "OLS Enterprise Ltd.")

Security: Pine Capital Group Limited (formerly known as "OLS Enterprise Ltd.")

Meeting details:
Date: 27 July 2018
Time: 3.00 p.m.
Venue: 55 Market Street, #03-01, Singapore 048941

Company Description

Pine Capital Group Limited operates as a financial services company in Asia, specializing in the asset management business. It offers a range of products and services in various asset classes, including equities, fixed income, and alternatives. The company was formerly known as OLS Enterprise Ltd. and changed its name to Pine Capital Group Limited in December 2017. Pine Capital Group Limited was incorporated in 1968 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=ADJ)

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

1. The group adopted a new direction of business in December 2017 following shareholders' approval to venture into financial services. The Company's name was subsequently changed from OLS Enterprise Ltd. to Pine Capital Group Limited, to reflect the Group's new strategic direction.

The board's stated strategy is to "create value for shareholders by positioning the Group as an Asia-based bespoke financial services specialist serving a diverse group of accredited clientele with differing investment needs" (page 1 of the annual report).

The strategic acquisitions are:

- 51% controlling stake in Advance Capital Partners Asset Management Private Limited ("ACPAM") in August 2017
- 100% stake in BSDCN Pte. Ltd. ("BSDCN"), a company which holds a 9.98% stake in Pine Asia Asset Management Incorporation ("PAAM"), a Korean asset management company with approximately USD3 billion of assets under management in September 2017

In particular, in the review of the financial statements, the following was said:

FY2018 FINANCIAL STATEMENT REVIEW

Income Statement review

The Group's FY2018 revenue was mainly derived from the financial services provided by its new subsidiary, ACPAM. The revenue from ACPAM spanned the period from August 2017 to March 2018, upon completion of its acquisition by the Company in August 2017.

For the twelve months ended 31 March 2018, the Group's revenue was S$893,000. The cost of sales was approximately S$361,000, thus resulting in a gross profit margin of 59.6%.

Administrative expenses comprise staff costs, operating leases, professional fees, client business expenses, travelling expenses and general office expenses. Administrative expenses decreased by 25.8% from approximately S$3.06 million in FY2017 to approximately S$2.27 million in FY2018 mainly due to lower professional fees incurred.

(Source: Company annual report)

(i) **Would management clarify how much of the administrative expenses are attributable to ACPAM?**

(ii) **While the group has disclosed that the gross profit margin was nearly 60%, what is the net profit/loss margin of ACPAM?**

(iii) At the time of acquisition, ACPAM was loss making based on the unaudited financial statements for twelve months ended 31 May 2017. **If ACPAM continues to be loss making, can management help shareholders understand when ACPAM is expected to turn profitable? What are the key milestones that are critical for ACPAM to turn profitable?**

2. The valuation of "Available-for-sale financial assets" is a key audit matter (KAM) highlighted by the Independent Auditor in their report on the Audit of the Financial Statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As noted in the KAM, the group has unlisted equity securities classified as available-for-sale financial assets of $2,287,000 which represents 25% of the Group's total assets. These financial assets are classified as Level 3 fair value measurement hierarchy.

Further in Note 17 (page 75 – Financial risk management: Fair value measurement), the valuation approach for the level 3 fair value is shown as follows:

27. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) Fair value measurement (Cont'd)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Financial asset				
Available-for-sale financial assets	–	–	2,287	2,287

There were no transfers between Level 1, 2 and 3 of fair value measurement hierarchy during the financial year ended 31 March 2018.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the reporting date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

(Source: Company annual report)

(i) What are the holdings of available-for-sale financial assets held by the group?

(ii) What are the significant unobservable inputs used by management to value these financial assets?

(iii) Please also provide the sensitivity analysis of the level 3 fair value based on changes to the assumptions.

Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

3. As noted in Notice of Meeting, Resolution 2 is to seek shareholders' approval of Directors' fees of S$225,495 for the financial year ending 31 March 2019, payable quarterly in arrears.

The company has also stated that independent directors are paid a basic fee and additional fees for serving on any of the Board Committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account.

For FY2018, the approved directors' fees were $125,000.

(i) Can the remuneration committee (RC) and the board help shareholders understand the reason for the nearly 100% increase in directors' fees?

(ii) Was a review carried out to adjust the fees upward?

(iii) Can the RC and the board provide its deliberations and justification for the increase in directors' fees, especially if benchmarking was done or an independent profession consultant was used?

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=246

The company's response could be found here: -----