



ONEAPEX

ONEAPEX LIMITED

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

**RESPONSES TO THE QUESTIONS FROM THE SECURITIES INVESTORS ASSOCIATION
(SINGAPORE) ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED
30 SEPTEMBER 2022**

The Board of Directors (the "**Board**") of OneApex Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the questions raised by the Securities Investors Associations (Singapore) (the "**SIAS**") relating to the Company's annual report for the financial year ended 30 September 2022 ("**FY2022**") and sets out the replies as follows:

Question 1:

As noted in the CEO's statement and financial review (page 4), the Group is developing Apex Foodworks. Since its launch in March 2022, the Group achieved sales of 23 units out of 24 units, with a gross sales value of \$76.2 million achieved.

It was further stated that the Group will remain proactive and will continue to monitor the property market for any suitable acquisition and/or investment opportunities, while concentrating on the construction of Apex Foodworks and sale of its remaining unit.

- (i) Did the gross sales value of \$76.2 million for 23 units of Apex Foodworks meet management's expectations?
- (ii) What is the management's view of the Singapore real estate market given that the global macroeconomy remains highly uncertain (including the risk of a recession in 2023) and the recent interest rate trends?
- (iii) What are some of the opportunities that management has evaluated? What are the sweet spots, if any, in the market right now?

Separately, the Company's (former) 20%-owned, associated company, Ember Properties, held the property at 7 Kim Chuan Lane, Singapore 537071. The acquisition of Ember Properties was completed on 30 December 2021. Less than a month later, on 25 January 2022, the Group entered into a sale and purchase agreement for the disposal of Ember Properties. The disposal of its 20% equity interest in Ember Properties Pte. Ltd. for a consideration of \$27,992,134 was completed on 29 March 2022. The Group recognised a gain on disposal of the investment in the associated company of \$1,131,302.

- (iv) Can management elaborate further on the reasons to enter into a sale and purchase agreement with the purchasers to "flip" 7 Kim Chuan Lane less than one month after its acquisition?
- (v) Did the Group value-add to the underlying property? Was the sale initiated by the Group or by the 80% shareholder of Ember Properties (A38 Holdings Pte. Ltd.)?
- (vi) What roles did the independent directors play in the acquisition of 7 Kim Chuan Lane by Ember Properties and the subsequent sale of the shares of Ember Properties?

Company's response:

- (i) The gross sales so far has exceeded the management's expectations in terms of sales value achieved.
- (ii) The management is of view that the Singapore real estate will continue to be challenging amidst the backdrop of rising construction costs which include, among others, the materials and labour costs, and the rising interest rate. Further, the management is of the view that the risks, in all aspects (including but not limited to acquisition, construction, sales and ultimately profitability), are elevated in the Singapore real estate in the short to medium term.
- (iii) The management has evaluated both residential and industrial projects as opportunities for the Group. While risks remain elevated in all segments, the management believes that the sweet spots, if any, can be found in the industrial segment in the short to medium term.
- (iv) As stated below, the shareholders of Ember Properties Pte. Ltd. ("**Ember Properties**"), comprising OneApex Development Pte. Ltd., a wholly-owned subsidiary of the Company, and A38 Holdings Pte. Ltd. (collectively, the "**Ember Properties Shareholders**"), had managed to seize the opportunity to purchase the property at 7 Kim Chuan Lane, Singapore 537071 (the "**Property**") at a very reasonable price after taking into consideration, among others, the current transacted and asking sale prices of the commercial properties in the immediate area and other comparable areas, as well as the current transacted and asking rental rates of the commercial properties in the immediate area and other comparable areas. The Company had further stated in the acquisition announcement dated 1 June 2021 (the "**Acquisition Announcement**"), that the rationale for acquiring the Property was to either redevelop the Property into halal food factory units for sale/rent, or to sell the Property to a third-party purchaser for capital gains. The rationale for the disposal of Ember Properties announced on 26 January 2022 and completed on 30 March 2022 is in line with the rationale for the earlier acquisition of the Property. When the offer came in from the purchasers, the decision to sell to the purchasers was evaluated by the shareholders of Ember Properties being OneApex Development Pte. Ltd. and A38 Holdings Pte. Ltd. holding 20% and 80% of the total issued and paid-up share capital of Ember Properties respectively.
- (v) The Group did not value-add to the underlying property. The sale decision was jointly undertaken by the Ember Properties Shareholders after the offer came in from the purchasers.
- (vi) The independent directors of the Company have evaluated, among others, the rationale for the acquisition of the Property, as stated in the Acquisition Announcement. The independent directors of the Company have also reviewed and considered the terms of the acquisition of the Property and is of the view that acquisition of the Property is on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Similarly, the independent directors of the Company have evaluated and approved of the subsequent sale of Ember Properties, as it is in line with the initial rationale of the acquisition of the Property and is of commercial benefit to the Group.

Question 2:

For FY2022, the Group reported a loss of \$(337,726) with revenue coming in at \$928,981. The Group set up a Variable Capital Company in 2021. In Note 29 (page 91 - Unconsolidated structured entities), it was disclosed that the assets under management was \$1,139,981. Fund management fee amounted to \$18,760.

29. Unconsolidated structured entities

The Group manages funds, which are unconsolidated structured entities. The Group holds 1 management share amounting to \$13 in these funds through the receipt of fund management fees. The management share does not entitle the Group to any dividend or other distribution nor to any payment in a winding up in excess of the amount paid.

The table below shows the assets under management of entities that the Group manages and the fees earned from these entities as at 30 September 2022 and 2021:

	Group			
	2022		2021	
	Assets under management	Fund management fee	Assets under management	Fund management fee
	\$	\$	\$	\$
Investment funds	1,139,981	18,760	-	-

(Source: The Company's annual report for FY2022)

- (i) What is the investment mandate of the investment funds?
- (ii) How does the high interest rate impact fund-raising?
- (iii) What are the profiles of the investor(s)?

Separately, the Group's employee benefits expense continues to be higher than its revenue. In FY2022, employee benefits expense was \$1.74 million (2021: \$1.93 million) while revenue was \$0.93 million (2021: \$1.25 million). In particular, directors' remuneration was \$0.87 million in 2022 and \$1.04 million in 2021 (page 80; Note 25 Loss for the year). The disclosure on remuneration of the directors and key management personnel can be found on page 23.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2022

	Note	Group	
		2022	2021
		\$	\$
Revenue	20	928,981	1,248,147
Other income	21	1,223,844	1,204,583
Employee benefits expense		(1,741,818)	(1,927,563)
Depreciation expense		(98,325)	(80,056)
Other operating expenses	22	(552,480)	(700,906)
Share of associate results		223,252	140,431
Finance costs	23	(312,769)	(603,390)
Loss before tax		(329,315)	(718,754)
Income tax expense	24	(8,411)	(7,261)
Loss for the year, net of tax		(337,726)	(726,015)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(337,726)	(726,015)

(Source: The Company's annual report for FY2022; emphasis added)

- (iv) Can the remuneration committee (RC) help shareholders better understand the justification to pay bonuses when the Group reported 3 years of loss after tax?
- (v) Has the RC evaluated if the Group has the appropriate cost-structure to support its current scale and level of profitability given that revenue continues to be lower than employee benefits expense?
- (vi) Mr Lawrence Chiu received a remuneration package of \$500,000-\$750,000, with 75% of it being commission. How was the commission determined?

Company's response:

- (i) The investment mandate of the investment funds is to invest in listed equity securities.
- (ii) The high interest rate has not made it easy for fund-raising in the last twelve (12) months as investors have more options in asset classes and has also made investors taking a more risk-off approach.
- (iii) The profiles of all the investors fall within the definition of “accredited investors” pursuant to Section 4A of the Securities and Futures Act 2001.
- (iv) The Group is a property group, with a major focus on property development. The revenue and profits of the Group tends be lumpy, as is common with property developers. With the sale of 23 units out of 24 units in Apex Foodworks and the sale of Ember Properties, the Group has visibility into the medium-term profitability of the Group.

The Group had also taken into consideration and recognition of the contributions of the Group's employees for the above outcomes and hence a decision was taken to pay its employees bonuses.

The RC concurs with the Company's view.

- (v) The Group is a property group, with a major focus on property development. The revenue and profits of the Group tend be lumpy, as is common with property developers. The Group is of the view that the cost structure remains appropriate to support its current scale and profitability, notwithstanding the fact that revenue continues to be lower than employee benefits expense.

The RC concurs with the Company's view.

- (vi) The commission was determined through the terms of his service agreement and is mainly a function of the profitability of the fund management division of the Group that is headed by Mr. Lawrence Chiu.

Question 3:

As noted in the corporate governance report, the Group's internal audit function is outsourced to RSM Risk Advisory Pte. Ltd. The audit committee (AC) is satisfied that the IA is adequately qualified and resourced, and has the appropriate standing in the Company to discharge its duties effectively.

The internal audit activities are conducted in accordance with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors; and the IA had unfettered access to all the Group's documents, records, properties and personnel, including direct access to the AC and management.

In addition, it was disclosed that the IA plans its internal audit schedules in consultation with the management and its plans are submitted to the AC. The AC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit.

- (i) Can the AC clarify on its role in determining the scope of the IA? Was the scope of the internal audit drawn up by RSM Risk Advisory or by the AC?
- (ii) What were the scope and the key findings of the internal audit for FY2022?

- (iii) What is the length of the internal audit cycle?
- (iv) Were all the subsidiaries (including OneApex Capital entities and KC Industries Pte Ltd) and the associated company (Tuas Seatown Dormitory Pte Ltd) included in the internal audit?

Company's response:

- (i) The initial scope of the internal audit was drawn up RSM Risk Advisory Pte. Ltd. and shared with the AC for its evaluation and approval. The AC will review the scope of work and make modifications, if necessary.
- (ii) The scope for FY2022 covers the following areas: (i) development and project management of main contractors, (ii) review of fund management operations; and (iii) enterprise risk management.

The key finding of the internal audit for FY2022 relates to the establishment of project management policies and procedures for consistency of its formalised practices. The management of the Company has agreed to formalise the project management practices through established policies and procedures, as recommended by the internal auditor, by September 2023.

- (iii) The internal audit cycle runs for three (3) years, covering all key operations within the Group.
- (iv) Yes, all subsidiaries and associated companies are included in the scope.

By Order of the Board

Tan Pei Hong, Alex
Executive Chairman and Chief Executive Officer

27 January 2023

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.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr. Andrew Leo, Chief Executive Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.