

iFAST CORPORATION LTD.

(Company Registration No. 200007899C)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Securities Investors Association (Singapore) (“SIAS”) had previously announced an initiative to review companies’ Annual Reports and raise relevant questions to improve the quality of meetings and the engagement between Boards and Shareholders, while giving the company the opportunity to remove misconceptions and misunderstandings. iFAST Corporation Ltd. (“iFAST Corp” or the “Company”, and together with its subsidiaries, the “Group”) was selected as one of the companies SIAS has addressed questions to and the Company has provided its replies in this announcement.

Q1. As disclosed in the chairman’s statement, the group experienced another year of robust growth, with assets under administration (“AUA”) reaching a new record of \$19.0 billion. The 31.5% year-on-year growth was propelled by net inflows of client assets of \$3.75 billion, which is also a new record.
(Adapted from company annual report)

The AUA of unit trusts, the group’s key investment asset class, grew to a record \$13.89 billion as at 31 December 2021. It appears that the group remains on track to achieve a AUA target of \$100 billion by 2028.

(i) Given that net inflows amounted to \$3.745 billion, does it mean that the AUA gained approximately \$805 million due to a more buoyant market?

iFAST Corp: The growth of the Group’s AUA is contributed by two main factors, namely the net inflows of clients’ assets and net asset value (NAV) of clients’ investment on the Group’s platform. Therefore, the difference between the Group’s AUA growth and net inflows of clients’ asset would be the change in the NAV of the clients’ investment holdings on the Group’s platform.

Group AUA stood at \$14.45 billion as at 31 December 2020 and \$19.00 billion as at 31 December 2021. Net inflows stood at \$3.75 billion in 2021. There was also an incremental increase in AUA of \$485 million resulting from the transfer of DWS Investment Singapore Ltd’s fund management business. Therefore, the NAV of the AUA rose by about \$320 million due to the increase in the NAV of the different products and asset classes distributed on the platform.

(ii) Would management agree that net inflows will be the main driver of the AUA growth?

iFAST Corp: Yes, we see net inflows as a main driver of AUA growth. In the long run, the growth in investment returns in the different asset classes will also contribute to AUA growth. The Management team has previously shared with investors that a key number to look at is the net inflows of clients’ assets into the Group’s overall platform, which indicates the pace at which the Group is able to grow its overall AUA and is a number that is reported quarterly. The other factor affecting AUA value is related to the levels of the different products and asset classes distributed on the platform, and this is subject to changes in market conditions and sentiments. The Company believes the increased range of products and services, as well as improvements in its Fintech solutions and continuous updates on investment knowledge including via new channels such as iFAST TV, will continue to help the platform in attracting net inflows over time.

(iii) In the event of a severe market downturn, how sensitive will the inflows/outflows of client assets?

iFAST Corp: Over shorter periods of time, there may be negative net inflows in some quarters when market conditions turn sour. In the last decade, the Company's net inflows have been positive every year. In addition, the positive broadening in the range and depth of its wealth management products and services has helped its clients and wealth advisers to seamlessly adjust their portfolio allocation by switching into different asset classes depending on the market conditions.

(iv) Did the pandemic alter the way people save and invest? If so, how did the group benefit in the past two years?

iFAST Corp: The pandemic has brought about an accelerated pace of digitalisation for the overall wealth management industry, and greater digitalisation has benefited iFAST Corp as the Group has sought to position itself for the wealth management industry of the future, which it believes will be highly digitalised. The Group's emphasis on enhancing its Fintech capabilities over the years has helped its B2B and B2C platform to attract continued inflows from its existing clients and attract new clients. The pandemic may have increased the participation of new investors into the global markets, but the Company believes in the continued focus of its Financial Education initiatives to give the information and tools for investors and wealth advisers to evaluate global markets without falling prey to new fads which lack fundamentals.

The group has built up an impressive portfolio of investment products (over 14,000), provides access to 5 stock markets and has distribution agreements with over 280+ fund house partners.

(v) Are there plans to further increase its stock market access?

iFAST Corp: The Company evaluates the broadening of new products onto its platforms carefully and there may be further increases if the access can help investors and wealth advisers build their wealth over the long term. The Company believes it has introduced access to the key global exchanges on its platform since the launch of stockbroking services to its Singapore clients in late 2016. In 2021, the Company added stockbroking services with stock market access to Malaysia's Bursa and China A-shares for its Singapore operation. In addition, the Company launched stockbroking services with access to the Malaysia, US, Singapore and Hong Kong exchanges, for its iFAST Malaysia's B2B and B2C clients in 2021.

(vi) From the "iFAST in Numbers" summary (page 3 of the annual report), the number of fund house partners has increased gradually from 260+ in FY2019 to 270+ in FY2020 and to 280+ in FY2021. Does the group already have most of the reputable fund houses signed up as partners? If not, how will the group be acquiring more fund houses as partners?

iFAST Corp: Yes, the Company believes it has most of the reputable fund houses signed up on its platforms, including international and local ones. The Company believes the choices provided by the different fund houses and their products on its platforms are largely sufficient for investors and wealth advisers to build diversified and global portfolios, but will continue to evaluate broadening new partners or new funds which can add value to its clients in future.

(vii) **China:** After an impressive 210.6% revenue growth in China in FY2020, the growth rate moderated to 37.3%. Despite the volatility in the China market, the AUA of the China operation increased 75% to over RMB2.33 billion (equivalent to \$496 million) as at 31 December 2021. **What is the management's risk assessment of policy reforms and initiatives in the Chinese market?**

iFAST Corp: The policy reforms and initiatives taking place in the Chinese financial markets typically aim to achieve long-term policy goals such as reducing financial vulnerabilities and risks. While such policy reforms may result in short-term market volatility, we believe that these reforms are beneficial to the financial system as it evolves to one which is more market-based which can better support China's economy. This is important to ensure a healthy and continuous growth as China becomes an increasingly important market for international financial markets and cross-border capital flows.

(viii) **Bonds market place:** The group is applying for a 'Recognised Market Operator' licence with the intention to operate a 'bonds market place'. This has been identified as a gap that is adjacent to the group's wealth management business. **Has management analysed why "bond exchanges" do not exist given all the innovation that has happened in the capital markets? How does management ensure that a "bond exchange" would have the necessary liquidity/volume and be profitable for the group? How much would the group be investing to start a "bond exchange"?**

(ix) **Is the group intending to custodise additional bonds for more clients? What is the value proposition or benefit for clients?**

iFAST Corp: The Company believes the main reason why "bond exchanges" are not mainstream is largely due to the nature of the product. Bonds are usually classified as a non-retail product that are mainly traded by Financial Institutions, Asset Management Firms and Accredited Investors.

Throughout the years, although the Company has seen some platforms trying to connect different financial institutions by providing them a 'Market Place' to trade in bonds, individual Accredited Investors remain underserved as the price discovery process is opaque and out-of-reach for them.

From the Group's experience in serving bond investors, it has noticed that Accredited Investors have become more involved in their investments, and wish to have access to greater transparency on bond prices. Therefore, the Company believes there is value in empowering more Accredited Investors to have direct participation in the price discovery process through our vision of creating a bond marketplace.

Liquidity is crucial for any exchanges or market place. To ensure necessary liquidity, there will be market makers for the bonds available on the 'bonds market place'. With the implementation of a 'bonds market place', it will change the current over-the-counter way of trading bonds, allowing bonds transaction to be more seamless and for investors to be notified of their trade status instantaneously. The enhanced 'equity-like process' for bonds will increase the Group's bond trading volume.

Yes, we will continue to onboard new clients and accept additional new transfer of bonds from new clients for our custodian services. We believe clients can enjoy from greater transparency in bond-related information and other services including research, client support and seamless integration with the other investment products offered on the platform.

Q2. On 7 January 2022, the group announced the proposed acquisition of UK-based BFC Bank Limited from BFC Group Holdings. Following the completion of the acquisition, the bank has been renamed iFAST Global Bank Limited (“iFAST Global Bank”). Management targets to achieve profitability for the iFAST Global Bank starting 2024.

The group estimated initial start-up losses of approximately \$4.0 million in FY2022.

(i) How different is the UK in terms of banking regulations? How familiar is management with that?

iFAST Corp: The Group started looking at UK as a jurisdiction for having a bank about three to four years ago. In the course of doing so, the Group’s management and project teams have been familiarising themselves with the UK banking regulations. Through the Company’s past licence applications in Hong Kong and Singapore, the Company has become more familiar with the banking regulations in these two financial centres. The Company believes there are a number of similarities in UK, Hong Kong and Singapore. Moreover, the bank’s Board and Management come with experienced bankers who would be able to help the management further understand and navigate the different nuances.

(ii) Will there be sufficient bandwidth in the senior management team to run the existing businesses and iFAST Global Bank?

iFAST Corp: The Senior Management team will not be required to run the iFAST Global Bank’s business directly as the bank has its own management team to run the business on a day-to-day basis. To help ensure synergies between the bank and the Group, two employees representing iFAST Corp will join the bank as an Executive and non-Executive Director. In addition, the bank has its own board comprising local banking and financial industry veterans to help chart the strategy and direction, as well as to ensure good corporate governance.

(iii) Does the group have senior and experienced bankers on the ground to manage iFAST Global Bank?

iFAST Corp: As mentioned above, iFAST Global Bank will be managed by a set of senior and experienced bankers.

One of the reasons given by the company to support the purchase of the bank is that the biggest distributors of wealth management products in the world are banks. However, it could be due to the fact that traditional banks have a large customer base to begin with.

(iv) What is the size and profile of BFC’s customer base?

iFAST Corp: iFAST Global Bank (formerly known as BFC Bank) has two main business divisions, namely the consumer remittance business and wholesale currency services business.

The consumer remittance business provides payment and remittance services under the brand of EzRemit, which enables cross-border diaspora payments from United Kingdom and Gulf Cooperation Council countries to Asia. The wholesale currency services business provides physical banknotes to other banks and non-banks financial institutions. The bank has a clientele of a few hundred clients with deposits of approximately £43 million. It has about 800,000 clients who use its remittance services on an average of once every three months.

(v) With the payment infrastructure of BFC/iFAST Global Bank, what are the services and products that the group can start to offer?

iFAST Corp: The Group (excluding iFAST Global Bank) is currently dependent on other banks for payment services. Given that iFAST Global Bank is a member of SWIFT, and a direct member of Faster Payments as well as Clearing House Automated Payment System (CHAPS), the Group will start by working with the bank to make use of its payment infrastructure to improve the efficiency and reduce the cost of cross-border payments for the Group and its customers, e.g., when customers transfer monies cross-border between their investment accounts and iFAST Global Bank's account.

(vi) Has the nominating committee evaluated if the board has the necessary experience and expertise to provide oversight of the group, after the inclusion of the UK bank?

iFAST Corp: The Nominating Committee has evaluated and confirms that the Board has the necessary experience and expertise to provide oversight of the Group's overall business and in particular, it has a number of experienced members with extensive knowledge of the banking and financial services sectors. In addition, in the case of iFAST Global Bank, the bank has its own Board of Directors consisting of senior and experienced bankers to oversee and manage its operations.

(vii) How well equipped is management/board to deal with digital banking, cybersecurity, anti-money laundering (AML) and combating the financing of terrorism (CFT) etc?

iFAST Corp: Digital banking, cybersecurity, AML/CFT are areas the Management/Board of iFAST Corp look into closely and continuously. Cybersecurity and AML/CFT are areas where our Management/Board are already required to manage as part of the Group's regulated financial services business. As the Group had worked on applications for virtual/digital banking licence in Hong Kong, Singapore and Malaysia, our Management/Board have gained knowledge and experience in these areas over the past three to four years.

(viii) What is the projected P&L for the newly acquired bank for FY2023?

iFAST Corp: While such information has not been made available publicly, the Group has shared that it expects the bank to contribute about S\$4 million of losses in FY2022 based on its 85% stake in the bank, and targets to achieve profitability for the bank starting 2024.

Q3. Another major development for the group is the new ePension operations in Hong Kong. The group's ePension division will involve providing operation and administration services for both the Mandatory Provident Fund (MPF) schemes and Occupation Retirement Scheme Ordinance (ORSO) schemes in Hong Kong, with the MPF schemes being the main contributor. The ePension division will not add to the group's AUA numbers but will add a strong stream of recurring service fees to the group. On paper, it seems that PCCW Solutions won the tender to develop a centralised digital platform and the group is a subcontractor for the project.

(i) Can management clarify the role of PCCW Solutions in the implementation and operation of the digital platform for MPF? What are the performance obligations for the group?

iFAST Corp: The Company believes it is important to deliver the project deliverables in an efficient and timely manner. Due to confidentiality obligations, the Company would like to point to the previous announcements which have been shared with shareholders:

- <https://www.ifastcorp.com/ifastcorp/investor-relations/announcement-content.tpl?announceld=886>
- <https://www.ifastcorp.com/ifastcorp/investor-relations/announcement-content.tpl?announceld=781>

(ii) What are the key value drivers for this new ePension business?

iFAST Corp: The Company believes the ePension business will need to be executed in an efficient and timely manner, with good cost controls. The growth of the Hong Kong business will be substantially accelerated as the Hong Kong operation effectively executes its ePension business and continue to improve its existing platform capabilities. With greater clarity on information relating to the Hong Kong ePension business, the Group has provided an updated guidance on the overall Hong Kong business in 2023, 2024 and 2025, in its 1Q2022 presentation deck.

(iii) What is the capex required to support the new business?

iFAST Corp: The Group has shared its 2022 capex forecast in its 1Q2022 result presentation (https://www.ifastcorp.com/ifastcorp/mediahubcontent/1016/en/20220423_075955_AIY_YVS2X_HKH5DYJE79G.2.pdf).

(iv) What are the key risk factors identified in the ePension business? How is management addressing these risks?

iFAST Corp: The Company believes one key consideration is to ensure it effectively executes its ePension business. It has a comprehensive plan for regular and active dialogues with the different stakeholders for effective communication, escalation and reporting, as well as timely decision-making.

Management has provided guidance for the HK business for 2024 and 2025 on page 9 of the annual report. The guidance conservatively provides for a six-month delay in the rollout of the ePension project even though the delay may not likely occur.

(v) What are the reasons that management has provided a 6-month delay? Is it due to MPF-related factors or the COVID-19 situation in Hong Kong?

iFAST Corp: With greater clarity on information relating to the Hong Kong ePension project, the Group has updated the targeted revenue and Profit Before Tax (PBT) for its overall Hong Kong business in 2023, 2024 and 2025, in its 1Q2022 presentation deck.

Capital expenditure for FY2021 increased to \$21.62 million, from \$12.63 million in FY2020 (page 20 – Financial highlights & review). Capital expenditure in FY2017 was just \$7.5 million. Capital expenditure in Hong Kong amounted to just \$1.49 million in FY2021.

(vi) Does management expect its capital expenditure to increase and remain elevated due to the deployment of the ePension system and the integration and set up of infrastructure for iFAST Global Bank?

iFAST Corp: The Group has shared its 2022 capex forecast in its 1Q2022 result presentation (https://www.ifastcorp.com/ifastcorp/mediahubcontent/1016/en/20220423_075955_AIY_YVS2X_HKH5DYJE79G.2.pdf). It will plan for the digitalisation of the iFAST Global Bank UK by leveraging on its internal fintech capabilities in order to facilitate its seamless integration into the iFAST wealth management ecosystem.

By Order of the Board

Lim Chung Chun
Chairman / Chief Executive Officer

25 April 2022