



APAC REALTY LIMITED
Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2018

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APAC REALTY LIMITED

Company Registration Number: 201319080C

UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2018

The Board of Directors of APAC Realty Limited wishes to announce the following unaudited results of the Group for the fourth quarter and full year ended 31 December 2018.

1(a)(i) Consolidated Income Statement

	Group					
	4Q 2018	4Q 2017	Change	FY 2018	FY 2017	Change
	\$'000	\$'000	(%)	\$'000	\$'000	(%)
Real estate brokerage fees and related services	80,966	128,717	(37.1)	419,940	396,951	5.8
Other revenue	897	1,001	(10.4)	4,023	3,687	9.1
Total Revenue	81,863	129,718	(36.9)	423,963	400,638	5.8
Cost of services	70,667	113,714	(37.9)	371,162	345,769	7.3
Personnel cost	4,150	4,591	(9.6)	13,031	13,758	(5.3)
Marketing and promotion expenses	298	391	(23.8)	1,135	1,099	3.3
Depreciation of plant and equipment	127	131	(3.1)	501	512	(2.1)
Amortisation of intangible assets	233	233	–	932	932	–
Allowance for doubtful debts (written back)/provided - trade and non-trade	(429)	570	nm	1,628	2,631	(38.1)
Finance costs	362	–	nm	444	266	66.9
IPO expenses	–	119	nm	–	1,181	nm
Other operating expenses	1,688	1,529	10.4	5,883	5,058	16.3
Total operating expenses	6,429	7,564	(15.0)	23,554	25,437	(7.4)
Costs and Expenses	77,096	121,278	(36.4)	394,716	371,206	6.3
Operating Profit	4,767	8,440	(43.5)	29,247	29,432	(0.6)
Share of results in joint venture	(20)	(14)	42.9	(20)	(14)	42.9
Profit before tax	4,747	8,426	(43.7)	29,227	29,418	(0.6)
Income tax expense	(655)	(547)	19.7	(4,982)	(3,515)	41.7
Profit for the period/year	4,092	7,879	(48.1)	24,245	25,903	(6.4)
Profit attributable to:						
Owners of the Company	4,092	7,879	(48.1)	24,245	25,903	(6.4)
Non-controlling interests ⁽¹⁾	– ⁽¹⁾	–	–	– ⁽¹⁾	–	–
	4,092	7,879	(48.1)	24,245	25,903	(6.4)

⁽¹⁾ Non-controlling interests relates to the 51% shareholding in a new foreign subsidiary not held by the Group but which the Group has control based on the voting rights allocated under the Cooperation Agreement signed by all the shareholders of the new foreign subsidiary. Please refer to the Company's announcement dated 11 February 2019 and entitled "Entry into Strategic Cooperation Agreement" for more details. The share of foreign currency translation loss of the non-controlling interests is less than \$1,000.

nm – not meaningful

1(a)(ii) Notes to Consolidated Income Statement

	Group			
	4Q 2018	4Q 2017	FY 2018	FY 2017
	\$'000	\$'000	\$'000	\$'000
<u>Included in other revenue</u>				
Interest income	92	46	289	66
Bad debts (written off)/recovered	(2)	20	9	31
<u>Included in other operating expenses</u>				
Loss on disposal of plant and equipment	(18)	–	(18)	(16)
Plant and equipment written off	–	(152)	–	(152)
Impairment loss in other investment	(47)	–	(47)	–
Foreign exchange (loss) /gain	(58)	–	(44)	4
Loan refinancing fee	–	–	(10)	(100)
<u>Included in income tax expense</u>				
Over/(under) provision of prior years' tax	76	421	(11)	1,322
Deferred tax written back	80	64	199	183

1(a)(iii) Consolidated Statement of Comprehensive Income

	Group			
	4Q 2018	4Q 2017	FY 2018	FY 2017
	\$'000	\$'000	\$'000	\$'000
Profit for the period/year	4,092	7,879	24,245	25,903
Other comprehensive income				
Gain/(loss) on exchange differences on translation, net of tax	3	–	(2)	–
Other comprehensive income for the period/year, net of tax	3	–	(2)	–
Total comprehensive income for the period/year	4,095	7,879	24,243	25,903
Attributable to:				
Owners of the Company	4,095	7,879	24,243	25,903
Non-controlling interests	–	–	–	–
	4,095	7,879	24,243	25,903

1(b)(i) Statement of Financial Position

	Group		Company	
	31-Dec-2018 \$'000	31-Dec-2017 \$'000	31-Dec-2018 \$'000	31-Dec-2017 \$'000
ASSETS				
Non-current assets				
Investment property	72,800	–	–	–
Plant and equipment	1,076	1,223	–	–
Intangible assets	99,455	100,387	2,575	2,811
Investment in subsidiaries	–	–	190,111	117,294
Investment in joint venture	–	20	–	–
Investment in other investment	9	–	–	–
Fixed deposits	400	400	400	400
	<u>173,740</u>	<u>102,030</u>	<u>193,086</u>	<u>120,505</u>
Current assets				
Trade receivables	59,656	70,057	60	57
Other receivables	4,442	1,669	547	678
Amount due from subsidiaries	–	–	3,078	1,535
Amount due from a joint venture	309	75	–	–
Tax recoverable	–	19	–	19
Prepaid operating expenses	2,038	171	12	12
Cash and bank balances	43,019	61,971	23,008	38,089
	<u>109,464</u>	<u>133,962</u>	<u>26,705</u>	<u>40,390</u>
Total assets	<u>283,204</u>	<u>235,992</u>	<u>219,791</u>	<u>160,895</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals	63,452	82,016	330	211
Other payables	7,829	9,500	–	–
Amount due to subsidiaries	–	–	59,329	11,983
Deferred income	1,840	1,971	–	27
Loan and borrowing	2,900	–	–	–
Provision for taxation	5,172	4,990	8	–
	<u>81,193</u>	<u>98,477</u>	<u>59,667</u>	<u>12,221</u>
Net current assets/(liabilities)	28,271	35,485	(32,962)	28,169
Non-current liabilities				
Loan and borrowing	54,617	–	–	–
Deferred taxation	4,290	4,489	–	–
	<u>58,907</u>	<u>4,489</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>140,100</u>	<u>102,966</u>	<u>59,667</u>	<u>12,221</u>
Net assets	<u>143,104</u>	<u>133,026</u>	<u>160,124</u>	<u>148,674</u>
Equity attributable to owners of the Company				
Share capital	98,946	98,946	98,946	98,946
Foreign currency translation reserve	(3)	(1)	–	–
Accumulated profits	44,118	34,081	61,178	49,728
	<u>143,061</u>	<u>133,026</u>	<u>160,124</u>	<u>148,674</u>
Non-controlling interests ⁽¹⁾	43	–	–	–
Total equity	<u>143,104</u>	<u>133,026</u>	<u>160,124</u>	<u>148,674</u>

⁽¹⁾ Non-controlling interests relates to the 51% shareholding in a new foreign subsidiary not held by the Group but which the Group has control based on the voting rights allocated under the Cooperation Agreement signed by all the shareholders of the new foreign subsidiary. Please refer to the Company's announcement dated 11 February 2019 and entitled "Entry into Strategic Cooperation Agreement" for more details.

1(b)(ii) Group's Borrowings and Debt Securities

(a) Amount repayable in one year or less, or on demand

As at 31-Dec-18		As at 31-Dec-17	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
2,900	–	–	–

(b) Amount repayable after one year

As at 31-Dec-18		As at 31-Dec-17	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
54,617	–	–	–

(c) Details of any collaterals

SGD bank loan at floating rate

The Company acquired the entire issued share capital of APAC Investment Pte. Ltd. ("AIP") (formerly known as HC Home Pte. Ltd.) on 10 September 2018 and took a \$58.0 million loan from DBS to part-finance this acquisition which cost \$72.8 million.

On 19 October 2018, the \$58.0 million loan by the Company was pushed down and AIP assumed liability for the loan. The loan is secured by way of a first legal mortgage over AIP's property at 450 Lorong 6 Toa Payoh, Singapore 319394 and a corporate guarantee from the Company.

The loan bears interest at the prevailing 1-month SIBOR plus 0.9% per annum for the first 2 years and 1-month SIBOR plus 2.0% per annum thereafter. The loan is repayable over 59 equal monthly instalments of \$241,667 per month with a final bullet principal payment of \$43,741,647 on the final maturity date, 19 October 2023. The first monthly instalment repayment of the loan was on 19 November 2018.

1(c) Consolidated Statement of Cash Flows

	Group			
	4Q 2018	4Q 2017	FY 2018	FY 2017
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	4,747	8,426	29,227	29,418
<u>Adjustments for:</u>				
(Written back)/Allowance for doubtful debts (trade and non-trade)	(429)	570	1,628	2,631
Bad debts written off/(recovered)	2	(20)	(9)	(31)
Depreciation of plant and equipment	127	131	501	512
Plant and equipment written off	–	152	–	152
Loss on disposal of plant and equipment	18	–	18	16
Amortisation of intangible assets	233	233	932	932
Impairment loss in other investment	47	–	47	–
Share of results in joint venture	20	14	20	14
Interest expense	362	–	444	266
Interest income	(92)	(46)	(289)	(66)
Operating cash flows before working capital changes	5,035	9,460	32,519	33,844
<u>Changes in working capital</u>				
Decrease/(increase) in trade and other receivables	10,076	(2,771)	4,256	(24,988)
(Decrease)/increase in trade and other payables	(21,384)	7,795	(20,366)	29,150
Cash flows (used in)/from operations	(6,273)	14,484	16,409	38,006
Interest income received	92	46	289	66
Interest paid	(362)	–	(444)	(266)
Income taxes paid	(1,226)	(350)	(4,980)	(3,178)
Net cash (used in)/generated from operating activities	(7,769)	14,180	11,274	34,628
Cash flows from investing activities				
Acquisition of investment property	–	–	(72,800)	–
Purchase of plant and equipment	(306)	(325)	(373)	(474)
Proceeds from disposal of plant and equipment	–	8	1	8
Proceeds received from shares issued to non-controlling interests	43	–	43	–
Investment in others	–	–	(56)	–
Investment in joint venture	–	–	–	(34)
Advances extended to joint venture	–	–	(350)	(150)
Net cash used in investing activities	(263)	(317)	(73,535)	(650)
Cash flows from financing activities				
Proceeds from loan and borrowings	–	–	58,000	10,000
Repayment of loan and borrowings	(483)	–	(483)	(28,000)
Payment of dividends	–	–	(14,208)	–
(Expenses incurred)/ proceeds from issue of IPO shares	–	(17)	–	28,246
Net cash (used in)/generated from financing activities	(483)	(17)	43,309	10,246
Net (decrease)/increase in cash and cash equivalents	(8,515)	13,846	(18,952)	44,224
Cash and cash equivalents at beginning of the period/year	51,534	48,125	61,971	17,747
Cash and cash equivalents at end of the period/year	43,019	61,971	43,019	61,971

1(d)(i) Consolidated Statement of Changes in Equity

GROUP - 2018	Share capital \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
As at 1 January 2018	98,946	(1)	34,081	133,026	–	133,026
Profit for the period	–	–	5,917	5,917	–	5,917
Total comprehensive income	–	–	5,917	5,917	–	5,917
As at 31 March 2018	98,946	(1)	39,998	138,943	–	138,943
Profit for the period	–	–	7,693	7,693	–	7,693
Total comprehensive income	–	–	7,693	7,693	–	7,693
Dividend paid	–	–	(7,104)	(7,104)	–	(7,104)
As at 30 June 2018	98,946	(1)	40,587	139,532	–	139,532
Profit for the period	–	–	6,543	6,543	–	6,543
Other comprehensive income: Foreign currency translation	–	(5)	–	(5)	–	(5)
Total comprehensive income	–	(5)	6,543	6,538	–	6,538
Dividend paid	–	–	(7,104)	(7,104)	–	(7,104)
As at 30 September 2018	98,946	(6)	40,026	138,966	–	138,966
Profit for the period	–	–	4,092	4,092	–	4,092
Other comprehensive income: Foreign currency translation	–	3	–	3	– ⁽¹⁾	3
Total comprehensive income	–	3	4,092	4,095	–	4,095
Issue of shares	–	–	–	–	43	43
As at 31 December 2018	98,946	(3)	44,118	143,061	43	143,104

⁽¹⁾ The share of foreign currency translation loss of the non-controlling interests is less than \$1,000.

1(d)(i) Consolidated Statement of Changes in Equity (cont'd)

GROUP - 2017	Share capital \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Attributable to owners of the Company \$'000	Total equity \$'000
As at 1 January 2017	70,700	(1)	8,178	78,877	78,877
Profit for the period	–	–	4,031	4,031	4,031
Total comprehensive income	–	–	4,031	4,031	4,031
As at 31 March 2017	70,700	(1)	12,209	82,908	82,908
Profit for the period	–	–	8,485	8,485	8,485
Total comprehensive income	–	–	8,485	8,485	8,485
As at 30 June 2017	70,700	(1)	20,694	91,393	91,393
Profit for the period	–	–	5,508	5,508	5,508
Total comprehensive income	–	–	5,508	5,508	5,508
New shares issued pursuant to the IPO on 28 September 2017	28,263	–	–	28,263	28,263
As at 30 September 2017	98,963	(1)	26,202	125,164	125,164
Profit for the period	–	–	7,879	7,879	7,879
Total comprehensive income	–	–	7,879	7,879	7,879
Expenses incurred on issue of IPO shares	(17)	–	–	(17)	(17)
As at 31 December 2017	98,946	(1)	34,081	133,026	133,026

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the share capital of the Company in 4Q2018. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 31 December 2018 and 31 December 2017.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 December 2018, the Company's issued and paid-up capital, excluding treasury shares, comprises 355,197,700 (31 December 2017: 355,197,700) ordinary shares.

- 1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current period reported on.**

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited annual financial statements as at 31 December 2017.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and effect of, the change.

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) (“SFRS(I)”), a new financial reporting framework identical to International Financial Reporting Standards. The Group has adopted SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I), noted no significant impact upon adoption.

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group has performed an assessment of adopting SFRS(I) 9 and noted no significant impact upon adoption.

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied the change in accounting policy and noted no significant impact upon adoption.

6 Earnings Per Ordinary Share

Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:	Group					
	4Q 2018	4Q 2017	Change (%)	FY 2018	FY 2017	Change (%)
(i) Based on the weighted average number of shares (cents)	1.15	2.22	(48.2)	6.83	8.03	(14.9)
- Weighted average number of shares ('000)	355,198	355,198		355,198	322,563	
(ii) On a fully diluted basis (cents)	1.15	2.22	(48.2)	6.83	8.03	(14.9)
- Adjusted weighted average number of shares ('000)	355,198	355,198		355,198	322,563	

7 Net Asset Value Per Share

Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents)	Group			Company		
	31-Dec-18	31-Dec-17	Change (%)	31-Dec-18	31-Dec-17	Change (%)
	40.3	37.5	7.5	45.1	41.9	7.6

Note: The net asset value per share have been computed based on the share capital of 355,197,700 as at 31 December 2018 and 31 December 2017.

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

Revenue derived from our real estate brokerage services include brokerage income from the brokerage of (a) resale and rental of residential, commercial and industrial properties and (b) new home sales. Revenue from real estate related services include merchandise sales, training fees from courses conducted, property valuation fees, property management fees, consultancy services fees, franchise fees and rental income from investment property. Other revenue refers to interest income, rental income from office spaces and workstations, business conference income, referral fee income and sundry income.

4Q2018 vs 4Q2017

	4Q 2018	4Q 2017	Change
	\$'000	\$'000	(%)
Total revenue	81,863	129,718	(36.9)
Cost of services	70,667	113,714	(37.9)
Gross Profit	11,196	16,004	(30.0)

Revenue

Revenue decreased by approximately \$47.7 million or 37.1%, from \$128.7 million in 4Q2017 to \$81.0 million in 4Q2018. This was mainly due to the decrease in brokerage income from:

- (a) resale and rental of properties of \$24.6 million or 30.5%, from \$80.7 million in 4Q2017 to \$56.1 million in 4Q2018; and
- (b) the decrease in brokerage income from new home sales of \$23.2 million or 49.7%, from \$46.7 million in 4Q2017 to \$23.5 million in 4Q2018.

Other revenue in 4Q2018 and 4Q2017 remained relatively stable at approximately \$0.9 million and \$1.0 million respectively.

Cost of services

Our cost of services decreased by approximately \$43.0 million or 37.9%, from \$113.7 million in 4Q2017 to \$70.7 million in 4Q2018, as a result of the decrease in our revenue.

Gross profit

Gross profit decreased by approximately \$4.8 million or 30.0%, from \$16.0 million in 4Q2017 to \$11.2 million in 4Q2018. This was largely attributed to the decrease in contribution from both the resale and rental of properties, and new home sales.

Operating expenses

Personnel cost decreased by approximately \$0.4 million or 9.6%, from \$4.6 million in 4Q2017 to \$4.2 million in 4Q2018 mainly due to a decrease in provision for staff bonus in 4Q2018.

Marketing and promotion expenses decreased by approximately \$0.1 million or 23.8%, from \$0.4 million in 4Q2017 to \$0.3 million in 4Q2018. The decrease was mainly due to less marketing activities in 4Q2018.

Depreciation of plant and equipment remains stable at approximately \$0.1 million for both 4Q2018 and 4Q2017.

Amortisation of intangible assets was approximately \$0.2 million in both 4Q2018 and 4Q2017.

There was a write back of doubtful debts of approximately \$0.4 million in 4Q2018 due to over-provision in the previous quarter, as compared to a allowance for doubtful debts of \$0.6 million in 4Q2017.

Finance costs of approximately \$0.4 million in 4Q2018 relates to interest expense on mortgage loan taken over the property at 450 Lorong 6 Toa Payoh, Singapore 319394 (“**ERA APAC Centre**”). There was no finance costs in 4Q2017 as the bank loan taken by a subsidiary was fully repaid on 29 September 2017.

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on (cont’d).**

Operating expenses (cont’d)

In 4Q2017, additional IPO expenses amounted to approximately \$0.14 million, of which \$0.02 million was capitalized against share capital and \$0.12 million was expensed off. There was no such expense in 4Q2018.

Other operating expenses increased by approximately \$0.2 million or 10.4%, from approximately \$1.5 million in 4Q2017 to approximately \$1.7 million in 4Q2018. The increase was mainly due to the operating expenses of a new subsidiary (APAC Investment Pte. Ltd.) acquired on 10 September 2018.

Overall, total operating expenses decreased by approximately \$1.2 million or 15.0%, from \$7.6 million in 4Q2017 to \$6.4 million in 4Q2018.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately \$3.7 million or 43.7%, from \$8.4 million in 4Q2017 to \$4.7 million in 4Q2018.

Tax expense

Tax expense increased by approximately \$0.2 million or 19.7%, from \$0.5 million in 4Q2017 to \$0.7 million in 4Q2018. The increase is mainly due to higher tax written back of \$0.4 million in 4Q2017 as compared to only \$0.1 million in 4Q2018.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately \$3.8 million or 48.1%, from \$7.9 million in 4Q2017 to \$4.1 million in 4Q2018.

FY2018 vs FY2017

	FY 2018	FY 2017	Change
	\$’000	\$’000	(%)
Total revenue	423,963	400,638	5.8
Cost of services	371,162	345,769	7.3
Gross Profit	52,801	54,869	(3.8)

Revenue

Revenue increased by approximately \$23.4 million or 5.8%, from \$400.6 million in FY2017 to \$424.0 million in FY2018. This was mainly due to the increase in brokerage income from:

- (a) resale and rental of properties of \$18.9 million or 7.1%, from \$267.6 million in FY2017 to \$286.5 million in FY2018; and
- (b) new home sales of \$4.4 million or 3.6%, from \$123.6 million in FY2017 to \$128.0 million in FY2018.

Other revenue increased by approximately \$0.3 million or 9.1%, from \$3.7 million in FY2017 to \$4.0 million in FY2018 mainly due to higher business conference income and higher interest income.

Cost of services

Our cost of services increased by approximately \$25.4 million or 7.3%, from \$345.8 million in FY2017 to \$371.2 million in FY2018. The more than proportionate increase in cost of services was primarily due to higher payout of commission to our agents for new home sales in FY2018.

Gross profit

Gross profit decreased by approximately \$2.1 million or 3.8%, from \$54.9 million in FY2017 to \$52.8 million in FY2018. This was largely attributed to the decrease in contribution from both the resale and rental of properties, and new home sales.

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on (cont'd).**

Operating expenses

Personnel cost decreased by approximately \$0.8 million or 5.3%, from \$13.8 million in FY2017 to \$13.0 million in FY2018 due to a lower provision for staff bonus for FY2018 (payable in 1Q2019) coupled with a special one month bonus declared in September 2017 (FY2018:Nil) for all staff (except senior management) amounting to \$0.4 million.

Marketing and promotion expenses was approximately \$1.1 million in both FY2018 and FY2017.

Depreciation of plant and equipment was approximately \$0.5 million in both FY2018 and FY2017.

Amortisation of intangible assets was approximately \$0.9 million in both FY2017 and FY2018.

Allowance for doubtful debts decreased by approximately \$1.0 million or 38.1%, from \$2.6 million in FY2017 to \$1.6 million in FY2018 mainly due to an improvement in collections from customers and external co-broke agencies.

Finance costs in FY2018 and FY2017 relates to interest expense from bank borrowings. Finance costs increased by approximately \$0.1 million or 66.9%, from \$0.3 million in FY2017 to \$0.4 million in FY2018 due to a new mortgage loan of \$58.0 million drawn on 10 September 2018 to part-finance the acquisition of ERA APAC Centre. The bank loan taken by another subsidiary was fully repaid on 29 September 2017.

IPO expenses of approximately \$1.2 million were expensed off in FY2017 (FY2018: Nil).

Other operating expenses increased by approximately \$0.8 million or 16.3%, from \$5.1 million in FY2017 to \$5.9 million in FY2018. The increase was mainly due to stamp duty, professional expenses and related expenses incurred for the acquisition of APAC Investment Pte. Ltd. amounting to approximately \$0.3 million in September 2018, a donation of approximately \$0.2 million to National University of Singapore to establish a ERA Student Foundation bursary in June 2018, and additional operating expenses of APAC Investment Pte. Ltd. of approximately \$0.3 million (since 10 September 2018).

Overall, total operating expenses decreased by approximately \$1.8 million or 7.4%, from \$25.4 million in FY2017 to \$23.6 million in FY2018.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately \$0.2 million or 0.6%, from \$29.4 million in FY2017 to \$29.2 million in FY2018.

Tax expense

Tax expense increased by approximately \$1.5 million or 41.7%, from \$3.5 million in FY2017 to \$5.0 million in FY2018. The increase is mainly due to higher tax written of \$1.5 million in FY2017 as compared to only \$0.2 million in FY2018.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately \$1.7 million or 6.4%, from \$25.9 million in FY2017 to \$24.2 million in FY2018.

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on (cont'd).**

Financial Position Review

Non-current assets

The Group's total non-current assets amounted to approximately \$102.0 million and \$173.7 million as at 31 December 2017 and 31 December 2018 respectively. The increase of approximately \$71.7 million or 70.3% was mainly due to an investment property with a fair value of \$72.8 million held by a subsidiary which was acquired on 10 September 2018 and purchase of plant and equipment of approximately \$0.4 million offset by the amortisation of intangible assets of \$0.9 million and depreciation of plant and equipment of \$0.5 million in FY2018.

Current assets

Trade receivables amounted to approximately \$70.1 million and \$59.7 million as at 31 December 2017 and 31 December 2018 respectively. The decrease of approximately \$10.4 million or 14.8% was mainly due to lower revenue in 4Q2018 as compared to 4Q2017.

Other receivables amounted to approximately \$1.7 million and \$4.4 million as at 31 December 2017 and 31 December 2018 respectively. The increase of approximately \$2.7 million was mainly due to the grant of a convertible loan of \$2.8 million to PT Realti Jaya Abadi to fund the acquisition of PT ERA Graharealty ("ERA Indonesia").

Prepaid operating expenses amounted to approximately \$0.2 million and \$2.0 million as at 31 December 2017 and 31 December 2018 respectively. The increase of \$1.8 million prepaid operating expenses was mainly due to 2019 Council for Estate Agencies (CEA) registration fees of \$1.7 million prepaid in 4Q2018.

Cash and bank balances decreased by approximately \$19.0 million or 30.6%, from \$62.0 million as at 31 December 2017 to \$43.0 million as at 31 December 2018 mainly due to the cash payment of \$14.8 million for the acquisition of APAC Investment Pte Ltd.

As a result of the foregoing, total current assets decreased by approximately \$24.5 million or 18.3%, from \$134.0 million as at 31 December 2017 to \$109.5 million as at 31 December 2018.

Non-current liabilities

The Group's total non-current liabilities increased from \$4.5 million as at 31 December 2017 to \$58.9 million as at 31 December 2018 mainly due to the non-current portion of the mortgage loan outstanding as at 31 December 2018 of \$54.6 million for ERA APAC Centre.

Current liabilities

Trade payables and accruals amounted to approximately \$82.0 million and \$63.5 million as at 31 December 2017 and 31 December 2018 respectively. The decrease in trade payables is in line with the decrease in trade receivables.

Other payables comprised mainly goods and services tax (GST) payable, deposits and sundry payables which amounted to approximately \$9.5 million and \$7.8 million as at 31 December 2017 and 31 December 2018 respectively. The decrease of approximately \$1.7 million was mainly due to lower GST collections in 4Q2018 as compared to 4Q2017 as a result of lower revenue in 4Q2018.

Deferred income remained relatively stable at approximately \$1.8 million and \$2.0 million as at 31 December 2018 and 31 December 2017 respectively.

Current portion of the mortgage loan amounted to \$2.9 million as at 31 December 2018.

Provision for taxation was approximately \$5.2 million and \$5.0 million as at 31 December 2018 and 31 December 2017 respectively.

As a result of the foregoing, total current liabilities decreased by approximately \$17.3 million or 17.6%, from \$98.5 million as at 31 December 2017 to \$81.2 million as at 31 December 2018.

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on (cont’d).**

Financial Position Review (cont’d)

Equity attributable to the owners of the Company

The equity attributable to the owners of the Company increased by approximately \$10.1 million or 7.5%, from \$133.0 million as at 31 December 2017 to \$143.1 million as at 31 December 2018. The increase was attributable to the profit of \$24.2 million for FY2018 offset by dividends of \$14.2 million paid to shareholders in 2018.

Cash Flow Review

4Q2018 vs 4Q2017

Net cash generated from operating activities was approximately \$14.2 million in 4Q2017 as compared to net cash used in operating activities of approximately \$7.8 million in 4Q2018. The decrease of \$22.0 million was mainly due to lower operating profit of \$3.7 million, a net decrease in working capital of \$16.3 million and higher income taxes of \$0.9 million paid in 4Q2018 as compared to 4Q2017.

Net cash used in investing activities was approximately \$0.3 million in both 4Q2018 and 4Q2017. The cash was used mainly for the purchase of equipment.

Net cash used in financing activities was approximately \$0.5 million in 4Q2018. The cash was used for the monthly repayments of the mortgage loan.

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately \$8.5 million in 4Q2018 as compared to a net increase of approximately \$13.8 million in 4Q2017.

FY2018 vs FY2017

Net cash generated from operating activities was approximately \$34.6 million in FY2017 as compared to approximately \$11.3 million in FY2018. The decrease of \$23.3 million was mainly due to a net decrease in working capital of \$20.3 million and higher income taxes of \$1.8 million paid in FY2018 as compared to FY2017.

Net cash used in investing activities was approximately \$0.7 million in FY2017 as compared to approximately \$73.5 million in FY2018. The increase of \$72.8 million was due to the acquisition of ERA APAC Centre on 10 September 2018.

Net cash generated from financing activities was approximately \$43.3 million in FY2018, mainly from the drawdown of the mortgage loan of \$58.0 million partially offset by dividends of \$14.2 million paid to shareholders. Net cash generated from financing activities in FY2017 was lower at approximately \$10.2 million. The cash proceeds of \$28.2 million raised from the IPO was partially offset by \$18.0 million repayment of bank loans in FY2017.

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately \$19.0 million in FY2018 as compared to an increase of approximately \$44.2 million in FY2017.

Cash and cash equivalents as at 31 December 2018 stood at \$43.0 million.

9 Use of Proceeds Raised From IPO

As announced by the Company on 13 February 2019, the Company has utilised a total of \$9.1 million to fund the acquisition of PT ERA Graharealty (“ERA Indonesia”) pursuant to the grant of a convertible loan of S\$2.8 million and the grant of a loan of S\$6.3 million, both through APAC Investment 2 Pte Ltd to PT Realti Jaya Abadi, on 28 November 2018 and 11 February 2019 respectively. The balance of the net IPO proceeds as at the date of this announcement is \$7.88 million.

10 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Company did not make any prospect statement previously.

11 A commentary at the date of this announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Singapore government introduced a fresh round of property cooling measures on 5 July 2018 where the additional buyer's stamp duty was raised and loan-to-value ratio was reduced. This will affect the underlying demand for residential properties in Singapore. The Singapore property market may also be affected by any adverse global economic conditions and changes in mortgage interest rates.

The total number of unsold private residential units have been declining for the past 2 years and reached 19,755 (including ECs) as at 31 December 2017 before increasing to 35,649 (including ECs) as at 31 December 2018. The vacancy rate of completed private residential units remains high at 6.4% as at 31 December 2018, coming down from a high of 8.9% as at 30 June 2016.

Apart from the 35,649 unsold units (including ECs) with planning approval as at 31 December 2018, there is a potential supply of 9,800 units (including ECs) from Government Land Sales (GLS) sites and awarded en-bloc sale sites that have not been granted planning approval yet. They comprise (a) about 6,500 units from awarded GLS sites and Confirmed List sites that have not been awarded yet, and (b) about 3,300 units from awarded en-bloc sale sites.

12 Dividend

(a) Any dividend declared for the current financial period reported on?

Yes.

Name of Dividend	Proposed Second and Final
Dividend Type	Cash
Dividend Amount	S\$0.025 per ordinary share
Tax Rate	Tax Exempt

(b) Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

Name of Dividend	Proposed Final
Dividend Type	Cash
Dividend Amount	S\$0.02 per ordinary share
Tax Rate	Tax Exempt

(c) Date payable

Payment of the proposed second and final tax-exempt dividend, if approved by the shareholders at the forthcoming Annual General Meeting to be convened, will be made on **15 May 2019**.

(d) Books closure date

Notice is hereby given that the Transfer Book and Register of Members of the Company will be closed from 5.00 p.m. (Singapore time) on 3 May 2019 to 5.00 p.m. (Singapore time) on 6 May 2019 (both dates inclusive) for the preparation of dividend warrants for the proposed second and final dividend.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. of 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to the close of business at 5.00 p.m. on **3 May 2019** will be registered to determine shareholders' entitlements to the proposed second and final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. (Singapore time) on **3 May 2019** will be entitled to the proposed second and final dividend.

13 If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

Not applicable.

14 If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable as the Group does not have in place a general mandate for interested person transactions.

15 Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the SGX Listing Manual.

16 Segment Information

For management purposes, the Group is organised into business units based on their services, and has three reportable segments as follows:

- I. Brokerage income from resale and rental of properties - relates to commission and fee income from the brokerage of resale and rental of residential, commercial and industrial properties.
- II. Brokerage income from new home sales - relates to commission and fee income from the brokerage of new residential projects for sale by various developers.
- III. Others - relates to rental income from properties, workstations, lockers and furniture, incentives, referral, professional indemnity insurance and administration fees income, business conference income and miscellaneous income.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group income taxes and finance costs are managed on a group basis and are not allocated to operating segments.

The Group did not disclose operating segment assets and liabilities as such measures are not monitored. The Group operates mainly in Singapore with revenue predominantly generated in Singapore. Accordingly, analysis of revenue and assets of the Group by geographical distribution has not been presented.

16 Segment Information (cont'd)

	Brokerage income from resale and rental of properties \$'000	Brokerage income from new home sales \$'000	Others \$'000	Total \$'000
2018				
Revenue:				
Real estate brokerage fees and related services	286,509	127,982	5,449	419,940
Other revenue	9	–	4,014	4,023
Total revenue	286,518	127,982	9,463	423,963
Segment results	10,995	15,194	3,213	29,402
Share of results in joint venture				(20)
Interest income				289
Finance costs				(444)
Profit before tax				29,227
Income tax expense				(4,982)
Profit for the year				24,245
Others:				
Bad debts recovered	9	–	–	9
Allowance for doubtful debts provided (trade)	(1,629)	88	29	(1,512)
Allowance for doubtful debts provided (non-trade)	–	–	(116)	(116)
Depreciation and amortisation	(463)	(586)	(384)	(1,433)
	Brokerage income from resale and rental of properties \$'000	Brokerage income from new home sales \$'000	Others \$'000	Total \$'000
2017				
Revenue:				
Real estate brokerage fees and related services	267,613	123,613	5,725	396,951
Other revenue	31	–	3,656	3,687
Total revenue	267,644	123,613	9,381	400,638
Segment results	9,427	18,796	1,409	29,632
Share of results in joint venture				(14)
Interest income				66
Finance costs				(266)
Profit before tax				29,418
Income tax expense				(3,515)
Profit for the year				25,903
Others:				
Bad debts recovered	31	–	–	31
Allowance for doubtful debts provided (trade)	(2,526)	(24)	(6)	(2,556)
Allowance for doubtful debts provided (non-trade)	–	–	(75)	(75)
Depreciation and amortisation	(470)	(600)	(374)	(1,444)

17 Breakdown of Sales

Group	2018 \$'000	2017 \$'000	Change %
Revenue reported for first half year	227,261	165,388	37.4
Operating profit after tax reported for first half year	13,610	12,516	8.7
Revenue reported for second half year	196,702	235,250	16.4
Operating profit after tax reported for second half year	10,635	13,387	20.6

18 Breakdown of the total annual dividend (in dollar value) dividend declared for the issuer's latest full year and its previous full year as follows:

	2018 \$'000	2017 \$'000
<u>Ordinary</u>		
Interim	7,104	-
Final	8,880	7,104
Total	15,984	7,104

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the SGX-ST, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is related to the director, chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Chua Khee Hak
CEO
28 February 2019

DBS Bank Ltd. is the sole issue manager of the initial public offering and listing of APAC Realty Limited. DBS Bank Ltd. assumes no responsibility for the contents of this announcement.