



APAC REALTY LIMITED
(Company Registration No. 201319080C)
(Incorporated in Singapore on 15 July 2013)

PROPOSED ACQUISITION OF CONTROLLING STAKE IN ERA VIETNAM REAL ESTATE JOINT STOCK COMPANY AND EUROCAPITAL JOINT STOCK COMPANY

1. Introduction

The Board of Directors of APAC Realty Limited (“**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 9 January 2023 agreed to acquire a controlling stake in each of ERA Vietnam Real Estate Joint Stock Company (“**ERA VN**”) and Eurocapital Joint Stock Company (“**Eurocapital**”), holders of the ERA franchise in Vietnam, by increasing its current 38% stake in each of them to 60% at a total purchase price of S\$4.9 million, subject to additional earn-out payments (as described below) and subject to certain customary conditions (as described below) (“**Proposed Acquisitions**”).

The Proposed Acquisitions will drive growth in the Group’s business in Vietnam, strengthen the “ERA” brand regionally and promote multi-country collaboration across the Group’s different subsidiaries and associated companies in Southeast Asia. The Company’s increased stake will also allow the Company to consolidate both ERA VN and Eurocapital in its financial statements.

2. Rationale for the Proposed Acquisitions

The Company recognises the significant potential for long-term growth in the Vietnam real estate brokerage market and the Vietnamese economy as a whole, given its rapidly developing economy and favourable demographics. Since the Company first invested in ERA VN in 2020, ERA VN has been rapidly growing in terms of both revenue and its agent headcount. ERA VN has become the leading independent real estate brokerage in Vietnam and has established a well-regarded, reputable brand name for itself. The Proposed Acquisitions are an integral part of the Group’s overall growth plans to expand its presence in Asia Pacific.

Further, ERA VN’s rapid growth and success has been spearheaded by a competent and experienced management team. By acquiring a controlling stake in ERA VN and Eurocapital, the Company will be able to better participate in the direction and strategy planning in Vietnam and offer its expertise and know-how based on the success of the Company in Singapore, working hand in hand with the management team to further ERA VN’s growth.

3. Information on ERA VN, Eurocapital and Sellers

3.1 ERA VN. ERA VN operates the “ERA” real estate brokerage business in Vietnam. ERA VN was ranked as one of the top 10 real estate agencies in Vietnam. Its revenue has increased from approximately VND74.3 billion (S\$4.4 million)¹ for the year ended 31 December 2020 to approximately VND117.3 billion (S\$7.0 million) for the nine months ended 30 September 2022

¹ Based on an exchange rate of S\$1.00:VND16,861, being the rate used in preparing the pro forma financial effects of the Proposed Acquisitions (as set out in further details in **paragraph 6.1** below).



and its sales force has expanded from slightly over 1,500 salespersons as at 31 December 2020 to close to 3,900 salespersons as at 31 December 2022.

3.2 Eurocapital. Eurocapital is the sub-franchisor of the “ERA” brand to ERA VN. The Company has in turn granted Eurocapital the right to sub-franchise the “ERA” brand.

3.3 Sellers. The sellers (“**Sellers**”) consist of six Vietnamese individuals who are the legal and beneficial owners of 22% of the share capital of each of ERA VN and Eurocapital (“**Sale Shares**”). The Sellers are Pham Thanh Tuan (Chief Executive Officer of ERA VN) (“**CEO**”), Vu Duy Khuong, Vu Duc Hieu, Vu Trung Phong, Tran Dong An and Tong Nam Tran. The CEO is selling 4% of his 19% stake such that his shareholding on completion of the Proposed Acquisitions (“**Completion**”) will be 15% in each of ERA VN and Eurocapital (as set out in **paragraph 4.1** below) – he is thus retaining a significant stake in ERA VN and Eurocapital and will remain committed to his position as CEO to promote the growth and success of ERA VN.

4. Details of Proposed Acquisitions

4.1 Share Purchase Agreement

Pursuant to the Proposed Acquisitions, the Company has entered into:

- (a) a share purchase agreement (“**SPA 1**”) with the Sellers to acquire 984,697 ordinary shares in ERA VN, representing 22% of the share capital of ERA VN; and
- (b) a share purchase agreement (“**SPA 2**”, and together with SPA 1, “**SPAs**”) with the Sellers to acquire 176,000 ordinary shares in Eurocapital, representing 22% of the share capital of Eurocapital.

On Completion, the shareholding in ERA VN and Eurocapital will be as follows:

| Shareholders | Number of shares | Shareholding percentage |
|------------------------------------|------------------|-------------------------|
| ERA VN | | |
| APAC Realty Limited | 2,685,615 | 60.00% |
| KTP & Partners Joint Stock Company | 1,119,038 | 25.00% |
| Pham Thanh Tuan, CEO | 671,463 | 15.00% |
| Total | 4,476,116 | 100% |
| Eurocapital | | |
| APAC Realty Limited | 480,000 | 60.00% |
| KTP & Partners Joint Stock Company | 200,000 | 25.00% |
| Pham Thanh Tuan, CEO | 120,000 | 15.00% |
| Total | 800,000 | 100% |

KTP & Partners Joint Stock Company (“**KTP**”) is an investment holding company and has supported ERA VN’s growth and success since its establishment. KTP is a local strategic partner that will support the Group’s strategy for the Vietnam real estate brokerage market going forward.



4.2 Consideration

The total consideration payable by the Company to the Sellers for the Sale Shares (“**Aggregate Consideration**”) is as follows:

- (a) S\$4,900,000 payable on Completion;
- (b) an earn-out of up to S\$2,800,000, subject to the satisfaction of certain earn-out conditions and which are based on the revenue and net income generated by ERA VN and Eurocapital for the period commencing 1 July 2023 and ending 30 June 2024; and
- (c) an additional earn-out of up to S\$7,700,000, subject to the satisfaction of certain earn-out conditions and which are based on the revenue and net income generated by ERA VN and Eurocapital for the period commencing 1 January 2025 and ending 31 December 2025.

The Aggregate Consideration was arrived at following arm’s length negotiations between the Company and the Sellers, on a willing-buyer and willing-seller basis. The Company believes that the upfront sum of S\$4,900,000 to be paid on Completion is a fair sum after taking into account factors such as ERA VN’s and Eurocapital’s strong financial performance and significant growth potential in Vietnam and the Company’s acquisition of a controlling stake in both entities. The Company’s initial investment in 2020 in ERA VN and Eurocapital was completed for a total consideration of S\$1,500,000 – the Company has therefore acquired a controlling stake in both entities for a total upfront consideration of S\$6,400,000 over a three year period.

The earn-outs were structured in order to incentivise the Sellers to achieve the performance targets set out in the SPAs and further the growth and success of ERA VN and Eurocapital after Completion.

4.3 Conditions precedent

As set out in the SPAs, Completion is subject to certain customary conditions precedent, such as regulatory approval from the relevant Vietnam authorities and entry into a shareholders’ agreement.

4.4 Source of Funding

The Proposed Acquisitions will be funded with the Group’s internal funds.

4.5 Shareholder loan

In order to provide growth capital in Vietnam, the Company intends to enter into a loan agreement with ERA VN shortly, pursuant to which the Company will provide a shareholder loan of S\$1.5 million to ERA VN. The loan proceeds will be used to support ERA VN’s plans to expand its offices and to secure new project launches and capture more market share. ERA VN has the right to draw down on the loan from the date of the loan agreement to 30 June 2023. The loan will mature five years from the drawdown date and the interest rate per annum will be 5%.



5. Chapter 10 of Listing Manual

5.1 **NTA, Net Profit.** The table below sets out the net tangible assets and net profit of ERA VN and Eurocapital as at 30 June 2022.

| | Net Tangible Assets | Net Profit/(Loss) | Revenue |
|--------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| ERA VN | VND32.2 billion (S\$1.9 million) | VND1.7 billion (S\$0.1 million) | VND93.2 billion (S\$5.5 million) |
| Eurocapital | VND5.1 billion (S\$0.3 million) | (VND0.5 billion) (S\$0.03 million) | VND6.9 billion (S\$0.4 million) |

5.2 Relative figures

The materiality ratios for the Proposed Acquisitions under Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**Listing Manual**”) and based on the Group’s latest announced unaudited condensed interim financial statements for the six months ended 30 June 2022 are set out below:

| Rule 1006 | Bases | Relative Figures (%) |
|-----------|--|----------------------|
| (a) | Net asset value of the assets to be disposed of, compared with the Group’s net asset value | Not applicable |
| (b) | Net profit attributable to the assets acquired or disposed of, compared with the Group’s net profits | 0.13% ⁽¹⁾ |
| (c) | Aggregate value of the consideration compared with the Company’s market capitalisation based on the total number of issued shares in the Company (excluding treasury shares) | 7.47% ⁽²⁾ |
| (d) | Number of equity securities issued by the Company as consideration for the Proposed Acquisitions, compared with the number of equity securities previously in issue | Not applicable |
| (e) | Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves | Not applicable |

Notes:

- (1) The Group’s net profits of approximately S\$16.5 million and ERA VN and Eurocapital’s combined net profits of S\$0.1 million have been computed based on their respective unaudited financial statements for the six-month period ended 30 June 2022.
- (2) The Company’s market capitalisation is based on 355,197,700 ordinary shares of the Company in issue as at 31 December 2022, at a volume weighted average price of S\$0.5807 per ordinary share on 6 January 2023, being the last market day immediately preceding the date of the SPAs. The maximum Aggregate Consideration payable is S\$15.4 million, assuming the earn-out conditions are met and full payment is made.

As the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Acquisitions constitute a discloseable transaction within the meaning of Chapter 10 of the Listing Manual, but does not require the approval of the shareholders of the Company.



6. Financial effects of the Proposed Acquisitions

6.1 Bases and assumptions

The *pro forma* financial effects of the Proposed Acquisitions shown in **paragraphs 6.2 and 6.3** below have been prepared based on:

- (a) the audited consolidated financial statements of the Group for the financial year ended 31 December 2021 (“**FY2021**”); and
- (b) the audited financial statements of ERA VN and Eurocapital for the financial year ended 31 December 2021 (“**Vietnam FY2021 Financial Statements**”),

and are purely for illustrative purposes only and do not reflect the future actual financial position of the Group following Completion.

The *pro forma* financial effects have also been prepared based on the following assumptions:

- (i) with respect to consolidated net tangible assets per share of the Group, assuming the Proposed Acquisitions had been completed on 31 December 2021, being the end of the most recently completed financial year of the Group in respect of which audited financial statements have been drawn up;
- (ii) with respect to earnings per share, assuming the Proposed Acquisitions had been completed on 1 January 2021, being the beginning of the most recently completed financial year of the Group in respect of which audited financial statements have been drawn up;
- (iii) the maximum Aggregate Consideration payable of S\$15.4 million, assuming the earn-out conditions are met (although only S\$4.9 million is payable upfront);
- (iv) without taking into account the allocation of the purchase price between ERA VN and Eurocapital (a substantial portion of the Aggregate Consideration is allocated to ERA VN);
- (v) without taking into account the transaction costs of the Proposed Acquisitions; and
- (vi) the Vietnam FY2021 Financial Statements have been translated based on an exchange rate of S\$1.00:VND16,861, and all other foreign exchange effects have been excluded.

6.2 Net Tangible Assets (“NTA”)

Assuming that the Proposed Acquisitions had been completed on 31 December 2021, the effects on the NTA per share of the Group would be as follows:



| As at 31 December 2021 | Before the Proposed Acquisitions | After the Proposed Acquisitions |
|-------------------------|----------------------------------|---------------------------------|
| NTA (S\$'000) | 63,774 | 49,431 |
| Number of issued shares | 355,197,700 | 355,197,700 |
| NTA per share (cents) | 17.95 | 13.92 |

6.3 Earnings Per Share (“EPS”)

Assuming that the Proposed Acquisitions had been completed on 1 January 2021, the effects on the EPS of the Group would be as follows:

| As at 31 December 2021 | Before the Proposed Acquisitions | After the Proposed Acquisitions |
|--|----------------------------------|---------------------------------|
| Profit attributable to owners of the Company (S\$'000) | 35,389 | 35,654 |
| Weighted average number of issued shares in 2021 | 355,197,700 | 355,197,700 |
| Basic EPS (cents) | 9.96 | 10.04 |

7. Interests of Directors and Controlling Shareholders

None of the Directors and, to the best of the Directors' knowledge, none of the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Acquisitions, other than that arising from their respective shareholdings and/or directorships (as the case may be) in the Company.

8. Directors' service contracts

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisitions. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Acquisitions.

9. Documents available for inspection

Copies of the SPAs are available for inspection at the registered office of the Company at ERA APAC Centre, 450 Lorong 6 Toa Payoh, Singapore 319394, during normal business hours on any weekday for three months from the date of this announcement.

BY ORDER OF THE BOARD

Chua Khee Hak
Executive Chairman
9 January 2023