



APAC REALTY LIMITED

Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2019

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
1 (a) (i) Consolidated Income Statement	2
1 (a) (ii) Notes to Consolidated Income Statement	3
1 (a) (iii) Consolidated Statement of Comprehensive Income	3
1 (b) (i) Statement of Financial Position	4
1 (b) (ii) Group Borrowings and Debt Securities	5
1 (c) Consolidated Statement of Cash Flows	6
1 (d) (i) Consolidated Statement of Changes in Equity	7
1 (d) (ii) Share Capital	9
1 (d) (iii) Total Number of Issued Shares	9
1 (d) (iv) Treasury Shares	9
2 Audit	9
3 & 3A Auditors' Report	9
4 Accounting Policies	9
5 Changes in Accounting Policies	10
6 Earnings Per Ordinary Share	10
7 Net Asset Value Per Share	10
8 Review of Group Performance	11
9 Use of Proceeds Raised from the Initial Public Offering Of Shares ("IPO")	16
10 Variance from Prospect Statement	16
11 Prospects	16
12 Dividend	16
13 Dividend Statement	17
14 Interested Person Transactions ("IPT")	17
15 Confirmation that the Issuer 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 Listing Manual	17
16 Segment Information	17
17 Breakdown of Sales	19
18 Breakdown of Total Annual Dividend (in dollar value)	19
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)	19

APAC REALTY LIMITED**Company Registration Number: 201319080C****UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED
31 DECEMBER 2019**

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 2019.

1(a)(i) Consolidated Income Statement

	Group					
	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
	\$'000	\$'000	(%)	\$'000	\$'000	(%)
Real estate brokerage fees and related services	106,346	80,966	31.3	365,112	419,940	(13.1)
Other revenue	1,500	897	67.2	4,412	4,023	9.7
Total Revenue	107,846	81,863	31.7	369,524	423,963	(12.8)
Cost of services	92,679	70,667	31.1	323,157	371,162	(12.9)
Personnel cost	3,730	4,150	(10.1)	13,041	13,031	0.1
Marketing and promotion expenses	738	298	147.7	3,212	1,135	183.0
Depreciation of plant and equipment	175	127	37.8	590	501	17.8
Depreciation of right-of-use assets	399	–	nm	1,596	–	nm
Amortisation of intangible assets	233	233	–	932	932	–
Allowance for doubtful debts provided/(written back) - trade	869	(295)	nm	1,985	1,512	31.3
- non-trade	–	(134)	nm	54	116	(53.4)
Finance costs	432	362	19.3	1,783	444	301.6
Other operating expenses	1,692	1,688	0.2	5,952	5,883	1.2
Total operating expenses	8,268	6,429	28.6	29,145	23,554	23.7
Costs and Expenses	100,947	77,096	30.9	352,302	394,716	(10.7)
Operating Profit	6,899	4,767	44.7	17,222	29,247	(41.1)
Share of results in joint venture	–	(20)	nm	–	(20)	nm
Profit before tax	6,899	4,747	45.3	17,222	29,227	(41.1)
Income tax expense	(1,480)	(655)	126.0	(3,345)	(4,982)	(32.9)
Profit for the period/year	5,419	4,092	32.4	13,877	24,245	(42.8)
Profit attributable to:						
Owners of the Company	5,456	4,092	33.3	14,012	24,245	(42.2)
Non-controlling interests	(37)	–	nm	(135)	–	nm
	5,419	4,092	32.4	13,877	24,245	(42.8)

nm – not meaningful

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

	Group			
	4Q 2019	4Q 2018	FY 2019	FY 2018
	\$'000	\$'000	\$'000	\$'000
<u>Included in other revenue</u>				
Interest income	70	92	556	289
Investment in joint venture written back	–	–	17	–
Bad debts recovered/(written off)	5	(2)	27	9
<u>Included in other operating expenses</u>				
Loss on disposal of plant and equipment	–	(18)	–	(18)
Plant and equipment written off	(26)	–	(46)	–
Fair value loss in other investment	(9)	(47)	(9)	(47)
Foreign exchange loss	(291)	(58)	(167)	(44)
Rental expense	96	601	464	2,478
Loan refinancing fee	–	–	–	(10)
<u>Included in income tax expense</u>				
(Under)/over provision of prior years' tax	(78)	76	(77)	(11)
Deferred tax written back	18	80	83	199
<u>Reconciliation</u>				
Rental expense	96	601	464	2,478
Interest on lease liabilities (included in finance costs)	56	–	251	–
Depreciation of right-of-use assets	399	–	1,596	–
	<u>551</u>	<u>601</u>	<u>2,311</u>	<u>2,478</u>

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

	Group			
	4Q 2019	4Q 2018	FY 2019	FY 2018
	\$'000	\$'000	\$'000	\$'000
Profit for the period/year	5,419	4,092	13,877	24,245
Other comprehensive income				
Items that may be classified subsequently to profit or loss:				
Foreign currency translation	–	3	1	(2)
Other comprehensive income for the period/year, net of tax	–	3	1	(2)
Total comprehensive income for the period/year	5,419	4,095	13,878	24,243
Attributable to:				
Owners of the Company	5,456	4,095	14,013	24,243
Non-controlling interests	(37)	–	(135)	–
	<u>5,419</u>	<u>4,095</u>	<u>13,878</u>	<u>24,243</u>

1(b)(i) Statement of Financial Position

	Group		Company	
	31-Dec-2019	31-Dec-2018	31-Dec-2019	31-Dec-2018
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Investment property	72,800	72,800	–	–
Plant and equipment	1,677	1,076	–	–
Right-of-use assets	5,053	–	–	–
Intangible assets	98,523	99,455	2,338	2,575
Investment in subsidiaries	–	–	190,001	190,111
Other investment	1,000	9	1,000	–
Fixed deposits	400	400	400	400
	179,453	173,740	193,739	193,086
Current assets				
Convertible loan	2,786	2,794	–	–
Trade receivables	57,242	51,966	54	60
Other receivables	10,986	1,395	544	547
Unbilled receivables	10,812	7,943	–	–
Amount due from subsidiaries	–	–	12,898	3,078
Amount due from a joint venture	45	309	–	–
Tax recoverable	31	–	31	–
Prepaid operating expenses	1,762	2,038	12	12
Cash and bank balances	32,024	43,019	7,693	23,008
	115,688	109,464	21,232	26,705
Total assets	295,141	283,204	214,971	219,791
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals	71,901	63,452	410	330
Other payables	9,310	7,829	–	–
Amount due to subsidiaries	–	–	56,440	59,329
Deferred income	1,288	1,840	–	–
Lease liabilities	1,680	–	–	–
Loan and borrowing	2,900	2,900	–	–
Provision for taxation	3,336	5,172	–	8
	90,415	81,193	56,850	59,667
Net current assets/(liabilities)	25,273	28,271	(35,618)	(32,962)
Non-current liabilities				
Lease liabilities	3,359	–	–	–
Loan and borrowing	51,717	54,617	–	–
Deferred taxation	4,190	4,290	–	–
	59,266	58,907	–	–
Net assets	145,460	143,104	158,121	160,124
Equity attributable to owners of the Company				
Share capital	98,946	98,946	98,946	98,946
Foreign currency translation reserve	(2)	(3)	–	–
Accumulated profits	46,586	44,118	59,175	61,178
	145,530	143,061	158,121	160,124
Non-controlling interests	(70)	43	–	–
Total equity	145,460	143,104	158,121	160,124

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

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

As at 31-Dec-19		As at 31-Dec-18	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
2,900	–	2,900	–

(b) Amount repayable after one year

As at 31-Dec-19		As at 31-Dec-18	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
51,717	–	54,617	–

(c) Details of any collaterals

SGD bank loan at floating rate

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 2019	4Q 2018	FY 2019	FY 2018
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	6,899	4,747	17,222	29,227
<u>Adjustments for:</u>				
Allowance for doubtful debts provided/(written back) - trade	869	(295)	1,985	1,512
- non-trade	–	(134)	54	116
Bad debts (recovered)/written off	(5)	2	(27)	(9)
Depreciation of plant and equipment	175	127	590	501
Depreciation of right-of-use assets	399	–	1,596	–
Plant and equipment written off	26	–	46	–
Loss on disposal of plant and equipment	–	18	–	18
Amortisation of intangible assets	233	233	932	932
Fair value loss in other investment	9	47	9	47
Write back of investment in JV on disposal	–	–	(17)	–
Share of results in joint venture	–	20	–	20
Interest expense	432	362	1,783	444
Interest income	(70)	(92)	(556)	(289)
Operating cash flows before working capital changes	8,967	5,035	23,617	32,519
<u>Changes in working capital</u>				
(Increase)/decrease in trade and other receivables	(9,158)	12,870	(9,739)	7,050
Increase/(decrease) in trade and other payables	7,479	(21,384)	9,378	(20,366)
Cash flows from/(used in) operations	7,288	(3,479)	23,256	19,203
Interest income received	70	92	556	289
Interest paid	(376)	(362)	(1,532)	(444)
Income taxes paid	(308)	(1,226)	(5,312)	(4,980)
Net cash generated from/(used in) operating activities	6,674	(4,975)	16,968	14,068
Cash flows from investing activities				
Purchase of investment property	–	–	–	(72,800)
Purchase of plant and equipment	(496)	(306)	(1,237)	(373)
Proceeds from disposal of plant and equipment	–	–	–	1
Proceeds received from shares issued to non-controlling interests	–	43	22	43
Investment in convertible loan	–	(2,794)	–	(2,794)
Payment for other investment	–	–	(1,000)	(56)
Proceeds from disposal of joint venture	–	–	17	–
Advances extended to third party	–	–	(9,354)	–
Advance extended to joint venture	–	–	(105)	(350)
Net cash used in investing activities	(496)	(3,057)	(11,657)	(76,329)
Cash flows from financing activities				
Proceeds from loan and borrowings	–	–	–	58,000
Repayment of lease liability	(466)	–	(1,862)	–
Repayment of loan and borrowings	(725)	(483)	(2,900)	(483)
Payment of dividends	–	–	(11,544)	(14,208)
Net cash (used in)/generated from financing activities	(1,191)	(483)	(16,306)	43,309
Net increase/(decrease) in cash and cash equivalents	4,987	(8,515)	(10,995)	(18,952)
Net cash and cash equivalents at beginning of the period/year	27,037	51,534	43,019	61,971
Net cash and cash equivalents at end of the period/year	32,024	43,019	32,024	43,019

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

GROUP - 2019	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 2019	98,946	(3)	44,118	143,061	43	143,104
Issuance of new shares of subsidiary to non-controlling interests	–	–	–	–	22	22
	98,946	(3)	44,118	143,061	65	143,126
Profit/(loss) for the period	–	–	1,777	1,777	(35)	1,742
Other comprehensive income - Foreign currency translation	–	(10)	–	(10)	–	(10)
Total comprehensive income	–	(10)	1,777	1,767	(35)	1,732
As at 31 March 2019	98,946	(13)	45,895	144,828	30	144,858
Profit/(loss) for the period	–	–	3,327	3,327	(30)	3,297
Other comprehensive income - Foreign currency translation	–	11	–	11	–	11
Total comprehensive income	–	11	3,327	3,338	(30)	3,308
Dividend paid	–	–	(8,880)	(8,880)	–	(8,880)
As at 30 June 2019	98,946	(2)	40,342	139,286	–	139,286
Profit/(loss) for the period	–	–	3,452	3,452	(33)	3,419
Total comprehensive income	–	–	3,452	3,452	(33)	3,419
Dividend paid	–	–	(2,664)	(2,664)	–	(2,664)
As at 30 September 2019	98,946	(2)	41,130	140,074	(33)	140,041
Profit/(loss) for the period	–	–	5,456	5,456	(37)	5,419
Total comprehensive income	–	–	5,456	5,456	(37)	5,419
As at 31 December 2019	98,946	(2)	46,586	145,530	(70)	145,460

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

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)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, sub-division, consolidation, 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 4Q2019. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 31 December 2019 and 31 December 2018.

- 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 2019, the Company's issued and paid-up capital, excluding treasury shares, comprises 355,197,700 (31 December 2018: 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 modifications or emphasis of matter).**

Not applicable.

- 3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:**

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

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 2018.

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.

The Group has adopted the new SFRS(I) 16 Leases that is effective for annual periods beginning on or after 1 January 2019.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases.

The Group has adopted SFRS(I) 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On the adoption of SFRS(I) 16, the Group choose to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 1 January 2019. The Group recognised \$6,648,000 of right-of-use assets, \$1,627,000 of lease liabilities (current) and \$5,021,000 of lease liabilities (non-current) in the statement of financial position as at 1 January 2019.

6 Earnings Per Ordinary Share

Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:	Group					
	4Q 2019	4Q 2018	Change (%)	FY 2019	FY 2018	Change (%)
(i) Based on the weighted average number of shares (cents)	1.54	1.15	33.9	3.94	6.83	(42.3)
- Weighted average number of shares ('000)	355,198	355,198		355,198	355,198	
(ii) On a fully diluted basis (cents)	1.54	1.15	33.9	3.94	6.83	(42.3)
- Adjusted weighted average number of shares ('000)	355,198	355,198		355,198	355,198	

7 Net Asset Value Per Share

	Group			Company		
	31-Dec-19	31-Dec-18	Change (%)	31-Dec-19	31-Dec-18	Change (%)
Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents)	41.0	40.3	1.7	44.5	45.1	(1.3)

Note: The net asset value per share have been computed based on the share capital of 355,197,700 as at 31 December 2019 and 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.

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.

4Q2019 vs 4Q2018

	4Q 2019	4Q 2018	Change
	\$'000	\$'000	(%)
Total revenue	107,846	81,863	31.7
Cost of services	92,679	70,667	31.1
Gross Profit	15,167	11,196	35.5

Revenue

Revenue from real estate brokerage fees and related services increased by approximately \$25.3 million or 31.3%, from \$81.0 million in 4Q2018 to \$106.3 million in 4Q2019. This was mainly due to the increase in brokerage income from:

- (a) resale and rental of properties of \$6.7 million or 11.9%, from \$56.1 million in 4Q2018 to \$62.8 million in 4Q2019; and
- (b) new home sales of \$18.6 million or 79.1%, from \$23.5 million in 4Q2018 to \$42.1 million in 4Q2019.

Other revenue increased by approximately \$0.6 million or 67.2% from \$0.9 million in 4Q2018 to \$1.5 million in 4Q2019 mainly due to an increase in professional indemnity income.

Cost of services

Cost of services increased by approximately \$22.0 million or 31.1%, from \$70.7 million in 4Q2018 to \$92.7 million in 4Q2019, in line with the increase in total revenue.

Gross profit

Gross profit increased by approximately \$4.0 million or 35.5%, from \$11.2 million in 4Q2018 to \$15.2 million in 4Q2019. This was largely attributed to the increase in contribution from both the resale and rental of properties, and new home sales.

Operating expenses

Personnel cost decreased by approximately \$0.5 million or 10.1%, from \$4.2 million in 4Q2018 to \$3.7 million in 4Q2019 mainly due to lower provision for staff bonus in 4Q2019.

Marketing and promotion expenses increased by approximately \$0.4 million or 147.7%, from \$0.3 million in 4Q2018 to \$0.7 million in 4Q2019. The increase was mainly due to more marketing activities and incentives given out in 4Q2019.

Depreciation of plant and equipment increased by approximately \$0.1 million or 37.8%, from \$0.1 million in 4Q2018 to \$0.2 million in 4Q2019. The increase was mainly due to more plant and equipment purchased in 4Q2019.

Depreciation of right-of-use assets was \$0.4 million in 4Q2019 following the adoption of SFRS(I) 16 Leases on 1 January 2019.

Amortisation of intangible assets was approximately \$0.2 million in both 4Q2019 and 4Q2018.

- 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)

There was an allowance for doubtful debts (trade) provided of approximately \$0.9 million in 4Q2019 as compared to a write back of \$0.3 million in 4Q2018. The high provision was mainly due to slower collections in 4Q2019 and full provision made for a single outstanding debt of approximately \$0.2 million. The Group's exposure is approximately 10% of the allowance provided because there is a corresponding 90% recorded in trade payables (commission due to salespersons).

Finance costs was approximately \$0.4 million for both 4Q2019 and 4Q2018.

Other operating expenses was approximately \$1.7 million for both 4Q2019 and 4Q2018.

Overall, total operating expenses increased by approximately \$1.9 million or 28.6%, from \$6.4 million in 4Q2018 to \$8.3 million in 4Q2019.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately \$2.2 million or 45.3%, from \$4.7 million in 4Q2018 to \$6.9 million in 4Q2019.

Tax expense

Tax expense increased by approximately \$0.8 million or 126.0%, from \$0.7 million in 4Q2018 to \$1.5 million in 4Q2019. The increase is mainly due to higher taxable income in 4Q2019.

Profit for the period

As a result of the foregoing, profit for the period increased by approximately \$1.3 million or 32.4%, from \$4.1 million in 4Q2018 to \$5.4 million in 4Q2019.

FY2019 vs FY2018

	FY 2019	FY 2018	Change
	\$'000	\$'000	(%)
Total revenue	369,524	423,963	(12.8)
Cost of services	323,157	371,162	(12.9)
Gross Profit	46,367	52,801	(12.2)

Revenue

Revenue from real estate brokerage fees and related services decreased by approximately \$54.8 million or 13.1%, from \$419.9 million in FY2018 to \$365.1 million in FY2019. This was mainly due to the decrease in brokerage income from:

- (a) resale and rental of properties of \$44.9 million or 15.7%, from \$286.5 million in FY2018 to \$241.6 million in FY2019; and
- (b) new home sales of \$10.4 million or 8.1%, from \$128.0 million in FY2018 to \$117.6 million in FY2019.

Other revenue increased by approximately \$0.4 million or 9.7%, from \$4.0 million in FY2018 to \$4.4 million in FY2019 mainly due to an increase in professional indemnity income and interest income.

Cost of services

Our cost of services decreased by approximately \$48.0 million or 12.9%, from \$371.2 million in FY2018 to \$323.2 million in FY2019, in line with the decrease in total revenue.

- 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).**

Gross profit

Gross profit decreased by approximately \$6.4 million or 12.2%, from \$52.8 million in FY2018 to \$46.4 million in FY2019. 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 was approximately \$13.0 million for both FY2018 and FY2019. The increase in staff salaries of approximately \$1.2 million in FY2019 was fully offset by lower provision for staff bonus and director's performance-related bonus in FY2019.

Marketing and promotion expenses increased by approximately \$2.1 million or 183.0%, from \$1.1 million in FY2018 to \$3.2 million in FY2019. The increase was mainly due to Council for Estate Agencies ("CEA") licence fees of \$1.7m paid by ERA Realty Network to CEA on behalf of all its salespersons (ERA renewal incentives) and additional marketing incentives given out in FY2019.

Depreciation of plant and equipment increased by approximately \$0.1 million from \$0.5 million in FY2018 to \$0.6 million in FY2019. The increase was mainly due to more plant and equipment purchased in FY2019.

Depreciation of right-of-use assets was \$1.6 million in FY2019 following the adoption of SFRS(I) 16 Leases on 1 January 2019.

Amortisation of intangible assets was approximately \$0.9 million in both FY2019 and FY2018.

Allowance for doubtful debts provided (trade) increased by approximately \$0.5 million or 31.3%, from \$1.5 million in FY2018 to \$2.0 million in FY2019 mainly due to full provision made for two outstanding debts for a total of \$0.5 million. The Group's exposure is approximately 10% of the allowance provided because there is a corresponding 90% recorded in trade payables (commission due to salespersons).

Finance costs increased by approximately \$1.4 million or 301.6%, from \$0.4 million in FY2018 to \$1.8 million in FY2019 due to interest on lease liabilities of \$0.3 million in FY2019 (FY2018: Nil) and higher interest expense from bank borrowings of \$1.1 million (FY2019: 12 months; FY2018: 4 months).

Other operating expenses increased marginally by approximately \$0.1 million or 1.2%, from \$5.9 million in FY2018 to \$6.0 million in FY2019.

Overall, total operating expenses increased by approximately \$5.5 million or 23.7%, from \$23.6 million in FY2018 to \$29.1 million in FY2019.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately \$12.0 million or 41.1%, from \$29.2 million in FY2018 to \$17.2 million in FY2019.

Tax expense

Tax expense decreased by approximately \$1.7 million or 32.9%, from \$5.0 million in FY2018 to \$3.3 million in FY2019. The decrease is mainly due to the lower taxable income in FY2019.

Profit for the year

As a result of the foregoing, profit for the year decreased by approximately \$10.3 million or 42.8%, from \$24.2 million in FY2018 to \$13.9 million in FY2019.

- 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 \$173.7 million and \$179.5 million as at 31 December 2018 and 31 December 2019 respectively. The increase of approximately \$5.8 million or 3.3% was mainly due to the adoption of SFRS(I) 16 Leases on 1 January 2019 resulting in the recognition of \$6.6 million right-of-use assets and purchase of plant and equipment of \$1.2 million in FY2019, partially reduced by depreciation of right-of-use assets and plant and equipment of \$1.6 million and \$0.6 million respectively in FY2019.

Current assets

Trade receivables amounted to approximately \$52.0 million and \$57.2 million as at 31 December 2018 and 31 December 2019 respectively. The increase in trade receivables is in line with the increase in revenue from real estate brokerage fees and related services of \$25.3 million or 31.3% for 4Q2019 as compared to 4Q2018.

Other receivables amounted to approximately \$1.4 million and \$11.0 million as at 31 December 2018 and 31 December 2019 respectively. The increase of approximately \$9.6 million was mainly due to the grant of loans to PT Realti Jaya Abadi in FY2019 to fund the acquisition of PT ERA Graharealty.

Unbilled receivables amounted to approximately \$7.9 million and \$10.8 million as at 31 December 2018 and 31 December 2019 respectively. This relates to brokerage fees arising from new home sales where services are deemed rendered but not invoiced yet at the respective dates.

Prepaid operating expenses amounted to approximately \$2.0 million and \$1.8 million as at 31 December 2018 and 31 December 2019 respectively. The decrease of \$0.2 million was mainly due to the recognition of expenses in FY2019.

Cash and bank balances decreased by approximately \$11.0 million or 25.6%, from \$43.0 million as at 31 December 2018 to \$32.0 million as at 31 December 2019.

As a result of the foregoing, total current assets increased by approximately \$6.2 million or 5.7%, from \$109.5 million as at 31 December 2018 to \$115.7 million as at 31 December 2019.

Non-current liabilities

The Group's total non-current liabilities increased from \$58.9 million as at 31 December 2018 to \$59.3 million as at 31 December 2019. The increase of \$0.4 million or 0.7% was mainly due to the recognition of lease liabilities of \$3.4 million offset by the repayment of bank loan of \$2.9 million in FY2019.

Current liabilities

Trade payables and accruals amounted to approximately \$63.5 million and \$71.9 million as at 31 December 2018 and 31 December 2019 respectively. The increase in trade payables and accruals is in line with the increase in trade receivables.

Other payables comprised mainly goods and services tax (GST) payable, deposits and sundry payables which amounted to approximately \$7.8 million and \$9.3 million as at 31 December 2018 and 31 December 2019 respectively. The increase of approximately \$1.5 million or 19.2% was mainly due to an increase in GST payable which is in line with the increase in revenue for 4Q2019 as compared to 4Q2018.

Deferred income amounted to approximately \$1.8 million and \$1.3 million as at 31 December 2018 and 31 December 2019 respectively. The decrease was mainly due to the recognition of higher professional indemnity income in FY2019.

Lease liabilities of \$1.7 million represent the current portion of the lease obligations as at 31 December 2019.

- 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).**

Current liabilities (cont'd)

Provision for taxation was approximately \$5.2 million and \$3.3 million as at 31 December 2018 and 31 December 2019 respectively. The decrease of approximately \$1.9 million or 36.5% was mainly due to lower income tax provided for FY2019 as a result of lower taxable income.

As a result of the foregoing, total current liabilities increased by approximately \$9.2 million or 11.3%, from \$81.2 million as at 31 December 2018 to \$90.4 million as at 31 December 2019.

Equity attributable to the owners of the Company

The equity attributable to the owners of the Company increased by approximately \$2.4 million or 1.7%, from \$143.1 million as at 31 December 2018 to \$145.5 million as at 31 December 2019. The increase was mainly attributed to the profit of \$13.9 million for FY2019 offset by dividend payment of \$11.5 million in FY2019.

Cash Flow Review

4Q2019 vs 4Q2018

Net cash used in operating activities was approximately \$5.0 million in 4Q2018 as compared to net cash generated from operating activities of approximately \$6.7 million in 4Q2019. The difference of approximately \$11.7 million was mainly due to higher operating profit of \$2.2 million, an improvement in working capital of \$6.8 million, lower income taxes of \$0.9 million paid and higher adjustment in non-cash items of \$1.8 million.

Net cash used in investing activities was approximately \$3.1 million in 4Q2018 as compared to \$0.5 million in 4Q2019. The higher amount in 4Q2018 was mainly due to a convertible loan granted to PT Realti Jaya Abadi of \$2.8 million.

Net cash used in financing activities was approximately \$0.5 million in 4Q2018 as compared to \$1.2 million in 4Q2019. The increase of \$0.7 million in 4Q2019 was due to higher repayment of mortgage loan of \$0.2 million and repayment of lease liability of \$0.5 million.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately \$5.0 million in 4Q2019 as compared to a net decrease of approximately \$8.5 million in 4Q2018.

FY2019 vs FY2018

Net cash generated from operating activities was approximately \$14.1 million in FY2018 as compared to approximately \$17.0 million in FY2019. The increase of \$2.9 million was mainly due to an improvement in working capital of \$12.9 million and higher adjustment in non-cash items of \$3.1 million, offset by lower profit of \$12.0 million, higher income taxes of \$0.3 million and higher interest of \$1.1 million paid.

Net cash used in investing activities was approximately \$76.3 million in FY2018 as compared to approximately \$11.7 million in FY2019. The decrease of \$64.6 million was mainly due to the acquisition of investment property (ERA APAC Centre) of \$72.8 million and a convertible loan granted to PT Realti Jaya Abadi of \$2.8 million in FY2018, partially offset by advances of \$9.4 million extended to PT Realti Jaya Abadi, an investment of \$1.0 million in Dots Connected Pte. Ltd. and higher purchase of plant and equipment of \$0.9 million in FY2019.

Net cash used in financing activities was approximately \$16.3 million in FY2019 as compared to net cash generated from financing activities of approximately \$43.3 million in FY2018. In FY2019, there were repayment of bank loan of \$2.9 million, repayment of lease liabilities of \$1.9 million and dividend payment of \$11.5 million. In FY2018, the bank loan proceeds of \$58.0 million was partially offset by \$14.2 million of dividend payment.

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately \$11.0 million in FY2019 as compared to a net decrease of approximately \$19.0 million in FY2018.

Cash and cash equivalents as at 31 December 2019 stood at \$32.0 million.

9 Use of Proceeds Raised From IPO

Subsequent to the last announcement on 4 July 2019, no further utilisation was made by the Company. The balance of the Net Proceeds stands at \$6.0 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 property market bore the brunt of the July 2018 property cooling measures in 2H FY2018. Although the market started to show signs of improvements in FY2019, the pace of recovery has been relatively slow and confined to specific sectors of the market. The primary market and HDB resale market have seen increased activity, however, the private residential resale market continues to remain soft given the prevailing cooling measures.

The outbreak of the novel coronavirus (Covid-19) is still evolving. The Group is monitoring the situation closely and will assess the impact, if any, on the Group's performance.

In addition to improving our competitive edge in the Singapore market, the Company will seek to mitigate individual country volatility and enhance brokerage income stability by focusing on its regional expansion plans and growing its Asia Pacific business, especially in markets such as Indonesia and Thailand, and recently Malaysia.

The total number of unsold private residential units have been increasing in the year 2018 and reached 38,710 (including ECs) as at 31 March 2019 before coming down to 32,272 as at 31 December 2019. The vacancy rate of completed private residential units continues to trend downwards and reached 5.5% as at 31 December 2019, coming down from a high of 8.9% as at 30 June 2016.

Apart from the 32,272¹ unsold units (including ECs) with planning approval as at 31 December 2019, there is a potential supply of 6,050 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 5,500 units from awarded GLS sites and Confirmed List sites that have not been awarded yet, and (b) about 550 units from transacted 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\$0.0125 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 Second and Final
Dividend Type	Cash
Dividend Amount	S\$0.025 per ordinary share
Tax Rate	Tax Exempt

¹ "Release of 4th Quarter 2019 real estate statistics", URA, 23 January 2020

12 Dividend (Cont'd)

(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 2020**.

(d) Record 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 4 May 2020 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 **4 May 2020** 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 **4 May 2020** 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. Real estate brokerage services – relates to commission and fee income from the brokerage of resale and rental of residential, commercial and industrial properties and new residential projects for sale by various developers.
- II. Rental income – relates to rental income generated from investment property, workstations, lockers and furniture.
- III. Others – relates to 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)

	Real estate brokerage services \$'000	Rental income \$'000	Others \$'000	Eliminations \$'000	Total \$'000
2019					
Revenue:					
Real estate brokerage fees and related services	359,215	1,169	4,834	(106)	365,112
Other revenue	103	3	4,306	–	4,412
Total revenue	359,318	1,172	9,140	(106)	369,524
Segment results	16,568	243	1,638	–	18,449
Interest income					556
Finance costs					(1,783)
Profit before tax					17,222
Income tax expense					(3,345)
Profit for the year					13,877
Others:					
Bad debts recovered	27	–	–	–	27
Allowance for doubtful debts (provided)/written back					
- trade	(2,045)	–	60	–	(1,985)
- non-trade	–	–	(54)	–	(54)
Depreciation and amortisation	(2,379)	(7)	(732)	–	(3,118)
		Real estate brokerage services \$'000	Others^(a) \$'000		Total \$'000
2018					
Revenue:					
Real estate brokerage fees and related services		414,491	5,449		419,940
Other revenue		9	4,014		4,023
Total revenue		414,500	9,463		423,963
Segment results		26,189	3,213		29,402
Share of results of 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)/written back - trade		(1,539)	28		(1,511)
- non-trade		–	(116)		(116)
Depreciation and amortisation		(1,050)	(384)		(1,434)

^(a) Rental income is included within others as it is not material in FY2018.

17 Breakdown of Sales

Group	2019 \$'000	2018 \$'000	Change %
Revenue reported for first half year	163,061	227,261	(28.2)
Operating profit after tax reported for first half year	5,039	13,610	(63.0)
Revenue reported for second half year	206,463	196,702	5.0
Operating profit after tax reported for second half year	8,838	10,635	(16.9)

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:

	2019 \$'000	2018 \$'000
<u>Ordinary</u>		
Interim	2,664	7,104
Final	4,440	8,880
Total	7,104	15,984

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
Chairman and CEO
24 February 2020