



APAC REALTY LIMITED
Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2018

<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 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	16
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 Confirmation Pursuant to the Rule 705(5) of the Listing Manual	17

APAC REALTY LIMITED

Company Registration Number: 201319080C

UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2018

The Board of Directors of APAC Realty Limited wishes to announce the following unaudited results of the Group for the the second quarter and half year ended 30 June 2018.

1(a)(i) Consolidated Income Statement

	Group			Group		
	2Q 2018 \$'000	2Q 2017 \$'000	Change (%)	1H 2018 \$'000	1H 2017 \$'000	Change (%)
Real estate brokerage fees and related services	121,176	97,491	24.3	224,913	163,438	37.6
Other revenue	858	732	17.2	2,348	1,950	20.4
Total Revenue	122,034	98,223	24.2	227,261	165,388	37.4
Cost of services	108,072	83,204	29.9	200,417	140,200	43.0
Personnel cost	2,353	2,770	(15.1)	5,708	5,373	6.2
Marketing and promotion expenses	320	219	46.1	642	400	60.5
Depreciation of plant and equipment	123	127	(3.1)	247	254	(2.8)
Amortisation of intangible assets	233	233	-	466	466	-
Allowance for doubtful debts provided - trade	281	432	(35.0)	809	1,520	(46.8)
Finance costs	-	85	nm	-	226	nm
Other operating expenses	1,399	1,462	(4.3)	2,590	2,505	3.4
Total operating expenses	4,709	5,328	(11.6)	10,462	10,744	(2.6)
Costs and Expenses	112,781	88,532	27.4	210,879	150,944	39.7
Profit before tax	9,253	9,691	(4.5)	16,382	14,444	13.4
Income tax expense	1,560	1,206	29.4	2,772	1,928	43.8
Profit for the period	7,693	8,485	(9.3)	13,610	12,516	8.7
Profit attributable to:						
Owners of the Company	7,693	8,485	(9.3)	13,610	12,516	8.7

nm – not meaningful

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

	Group		Group	
	2Q 2018 \$'000	2Q 2017 \$'000	1H 2018 \$'000	1H 2017 \$'000
<u>Included in other revenue</u>				
Interest income	66	5	127	12
Bad debts recovered	–	5	11	9
<u>Included in other operating expenses</u>				
Loss on disposal of plant and equipment	–	(9)	–	(9)
Foreign exchange (loss)/gain	(1)	2	6	2
Loan refinancing fee	–	(100)	–	(100)
<u>Included in income tax expense</u>				
Over provision of prior years' tax	–	410	–	508
Deferred tax written back	39	39	79	79

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

	Group		Group	
	2Q 2018 \$'000	2Q 2017 \$'000	1H 2018 \$'000	1H 2017 \$'000
Profit for the period	7,693	8,485	13,610	12,516
Other comprehensive income				
Loss on exchange differences on translation, net of tax	–	–	–	–
Other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	7,693	8,485	13,610	12,516
Attributable to:				
Owners of the Company	7,693	8,485	13,610	12,516

1(b)(i) Statement of Financial Position

	Group		Company	
	30-Jun-18	31-Dec-17	30-Jun-18	31-Dec-17
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Plant and equipment	1,018	1,223	–	–
Intangible assets	99,922	100,388	2,693	2,811
Investment in subsidiaries	–	–	117,294	117,294
Investment in joint venture	20	20	–	–
Fixed deposits	400	400	400	400
	<u>101,360</u>	<u>102,031</u>	<u>120,387</u>	<u>120,505</u>
Current assets				
Trade receivables	77,712	70,057	54	57
Other receivables	2,127	1,668	1,272	678
Amount due from subsidiaries	–	–	434	1,535
Amount due from a joint venture	200	75	–	–
Tax recoverable	13	19	13	19
Prepaid operating expenses	125	171	4	12
Cash and bank balances	61,654	61,971	33,896	38,089
	<u>141,831</u>	<u>133,961</u>	<u>35,673</u>	<u>40,390</u>
Total assets	<u>243,191</u>	<u>235,991</u>	<u>156,060</u>	<u>160,895</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals	82,107	82,016	263	211
Other payables	10,278	9,500	6	–
Amount due to a subsidiary	–	–	–	11,983
Deferred income	1,452	1,972	–	27
Provision for taxation	5,412	4,989	–	–
	<u>99,249</u>	<u>98,477</u>	<u>269</u>	<u>12,221</u>
Net current assets	<u>42,582</u>	<u>35,484</u>	<u>35,404</u>	<u>28,169</u>
Non-current liability				
Deferred taxation	4,410	4,489	–	–
	<u>4,410</u>	<u>4,489</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>103,659</u>	<u>102,966</u>	<u>269</u>	<u>12,221</u>
Net assets	<u>139,532</u>	<u>133,026</u>	<u>155,791</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	(1)	(1)	–	–
Accumulated profits	40,587	34,081	56,845	49,728
Total equity	<u>139,532</u>	<u>133,026</u>	<u>155,791</u>	<u>148,674</u>

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

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

As at 30-Jun-18		As at 31-Dec-17	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

(b) Amount repayable after one year

As at 30-Jun-18		As at 31-Dec-17	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

(c) Details of any collaterals

Not applicable.

1(c) Consolidated Statement of Cash Flows

	Group		Group	
	2Q 2018	2Q 2017	1H 2018	1H 2017
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	9,253	9,691	16,382	14,444
<u>Adjustments for:</u>				
Allowance for doubtful debts (trade)	281	432	809	1,520
Bad debts recovered	–	(5)	(11)	(9)
Loss on disposal of plant and equipment	–	9	–	9
Depreciation of plant and equipment	123	127	247	254
Amortisation of intangible assets	233	233	466	466
Interest expense	–	85	–	226
Interest income	(66)	(5)	(127)	(12)
Operating cash flows before working capital changes	9,824	10,567	17,766	16,898
<u>Changes in working capital</u>				
Increase in trade and other receivables	(7,672)	(21,084)	(8,792)	(23,551)
Decrease in trade and other payables	4,563	24,107	350	21,221
Cash flows from operations	6,715	13,590	9,324	14,568
Interest income received	66	5	127	12
Interest paid	–	(85)	–	(226)
Income taxes paid	(1,443)	(1,246)	(2,423)	(1,650)
Net cash generated from operating activities	5,338	12,264	7,028	12,704
Cash flows from investing activities				
Purchase of plant and equipment	(19)	(50)	(42)	(111)
Investment in joint venture	–	(34)	–	(34)
Advance extended to joint venture	(100)	–	(200)	–
Proceeds from disposal of plant and equipment	1	–	1	–
Net cash used in investing activities	(118)	(84)	(241)	(145)
Cash flows from financing activities				
Repayment of loan and borrowings	–	(835)	–	(8,835)
Payment of dividends	(7,104)	–	(7,104)	–
Net cash used in financing activities	(7,104)	(835)	(7,104)	(8,835)
Net (decrease)/ increase in cash and cash equivalents	(1,884)	11,345	(317)	3,724
Cash and cash equivalents at beginning of the period	63,538	10,126	61,971	17,747
Cash and cash equivalents at end of the period	61,654	21,471	61,654	21,471

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

	Attributable to owners of the Company				
	Share capital \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
GROUP - 2018					
As at 1 January 2018	98,946	(1)	34,081	34,080	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	39,997	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	40,586	139,532
GROUP - 2017					
As at 1 January 2017	70,700	(1)	8,178	8,177	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	12,208	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	20,693	91,393

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

COMPANY - 2018	Attributable to owners of the Company			
	Share capital \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
As at 1 January 2018	98,946	49,728	49,728	148,674
Profit for the period	–	6,680	6,680	6,680
Total comprehensive income	–	6,680	6,680	6,680
As at 31 March 2018	98,946	56,408	56,408	155,354
Profit for the period	–	7,541	7,541	7,541
Total comprehensive income	–	7,541	7,541	7,541
Dividend paid	–	(7,104)	(7,104)	(7,104)
As at 30 June 2018	98,946	56,845	56,845	155,791
COMPANY - 2017				
As at 1 January 2017	70,700	21,931	21,931	92,631
Profit for the period	–	3,486	3,486	3,486
Total comprehensive income	–	3,486	3,486	3,486
As at 31 March 2017	70,700	25,417	25,417	96,117
Profit for the period	–	3,887	3,887	3,887
Total comprehensive income	–	3,887	3,887	3,887
As at 30 June 2017	70,700	29,304	29,304	100,004

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 2Q2018. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 June 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 30 June 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). The adoption of SFRS(I) has no material impact on the financial statements of the Group.

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					
	2Q 2018	2Q 2017	Change (%)	1H 2018	1H 2017	Change (%)
(i) Based on the weighted average number of shares (cents)	2.17	2.73	(20.5)	3.83	4.02	(4.7)
- Weighted average number of shares ('000)	355,198	311,080		355,198	311,080	
(ii) On a fully diluted basis (cents)	2.17	2.73	(20.5)	3.83	4.02	(4.7)
- Adjusted weighted average number of shares ('000)	355,198	311,080		355,198	311,080	

Note: For comparative purposes, the basic/diluted earnings per share have been computed based on the share capital assuming the sub-division of shares in September 2017 was effected as at 1 January 2017.

If the issuance of new shares pursuant to the IPO on 28 September 2017 was effected on 1 January 2017, the EPS for 2Q 2017 and 1H 2017 would have been 2.39 cents and 3.52 cents respectively.

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		
	30-Jun-18	31-Dec-17	Change (%)	30-Jun-18	31-Dec-17	Change (%)
	39.3	37.5	4.8	43.9	41.9	4.8

Note: The net asset value per share have been computed based on the share capital of 355,197,700 as at 30 June 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 and franchise fees. Other revenue refers to interest income, rental income, business conference income, referral fee income and sundry income.

	2Q 2018	2Q 2017	Change
	\$'000	\$'000	(%)
Total revenue	122,034	98,223	24.2
Cost of services	108,072	83,204	29.9
Gross Profit	13,962	15,019	(7.0)

2Q2018 vs 2Q2017

Revenue

Revenue increased by approximately \$23.8 million or 24.2%, from \$98.2 million in 2Q2017 to \$122.0 million in 2Q2018. This was mainly due to the increase in brokerage income from:

- a) resale and rental of properties of \$20.8 million or 32.1%, from \$64.7 million in 2Q2017 to \$85.5 million in 2Q2018; and
- b) new home sales of \$3.2 million or 10.3%, from \$31.1 million in 2Q2017 to \$34.3 million in 2Q2018.

The increase in brokerage income from resale and rental of properties, and new home sales was the result of a more active Singapore residential property market.

Other revenue in 2Q2018 increased by approximately \$0.2 million or 17.2% from \$0.7 million in 2Q2017 to \$0.9 million in 2Q2018 mainly due to increase in rental income and interest income.

Cost of services

Our cost of services increased by approximately \$24.9 million or 29.9%, from \$83.2 million in 2Q2017 to \$108.1 million in 2Q2018 primarily due to higher payout of commission to our agents for new home sales.

Gross profit

Gross profit decreased by approximately \$1.0 million or 7.0%, from \$15.0 million in 2Q2017 to \$14.0 million in 2Q2018. This was mainly attributed to the decrease in gross profit margin from new home sales.

Operating expenses

Personnel cost decreased by approximately \$0.4 million or 15.1%, from \$2.8 million in 2Q2017 to \$2.4 million in 2Q2018 was mainly due to a reversal of over-provision of staff bonus for FY2017 in 2Q2018.

Marketing and promotion expenses increased slightly by approximately \$0.1 million or 46.1%, from \$0.2 million in 2Q2017 to \$0.3 million in 2Q2018. The increase was mainly due to an increase in marketing activities in 2Q2018.

Depreciation of plant and equipment was approximately \$0.1 million for both 2Q2017 and 2Q2018.

Amortisation of intangible assets was approximately \$0.2 million for both 2Q2017 and 2Q2018.

Allowance for doubtful debts was approximately \$0.4 million in 2Q2017 as compared to \$0.3 million in 2Q2018.

Finance costs of approximately \$0.1 million in 2Q2017 comprised interest expense from bank borrowings. There was no finance costs in 2Q2018 as the bank loan 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).

Other operating expenses decreased by approximately \$0.1 million or 4.3%, from \$1.5 million in 2Q2017 to \$1.4 million in 2Q2018 due to a loan refinancing fee of \$0.1 million in 2Q2017 (2Q2018: Nil).

Overall, total operating expenses decreased by approximately \$0.6 million or 11.6%, from \$5.3 million in 2Q2017 to \$4.7 million in 2Q2018.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately \$0.4 million or 4.5%, from \$9.7 million in 2Q2017 to \$9.3 million in 2Q2018.

Tax expense

Tax expense increased by approximately \$0.4 million or 29.4%, from \$1.2 million in 2Q2017 to \$1.6 million in 2Q2018. The increase is mainly due to a write back of prior years’ tax of \$0.4 million in 2Q2017 (2Q2018: Nil).

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately \$0.8 million or 9.3%, from \$8.5 million in 2Q2017 to \$7.7 million in 2Q2018.

1H2018 vs 1H2017

	1H 2018	1H 2017	Change
	\$’000	\$’000	(%)
Total revenue	227,261	165,388	37.4
Cost of services	200,417	140,200	43.0
Gross Profit	26,844	25,188	6.6

Revenue

Revenue increased by approximately \$61.9 million or 37.4%, from \$165.4 million in 1H2017 to \$227.3 million in 1H2018. This was mainly due to the increase in brokerage income from:

- a) resale and rental of properties of \$39.3 million or 34.3%, from \$114.6 million in 1H2017 to \$153.9 million in 1H2018; and
- b) new home sales of \$22.4 million or 48.7%, from \$46.1 million in 1H2017 to \$68.5 million in 1H2018.

The increase in brokerage income from resale and rental of properties, and new home sales was the result of a more active Singapore residential property market.

Other revenue increased by approximately \$0.3 million or 20.4%, from \$2.0 million in 1H2017 to \$2.3 million in 1H2018. The increase was mainly due to higher business conference income, bank referral fees and interest income.

Cost of services

Our cost of services increased by approximately \$60.2 million or 43.0%, from \$140.2 million in 1H2017 to \$200.4 million in 1H2018 primarily due to higher payout of commission to our agents for new home sales.

Gross profit

Gross profit increased by approximately \$1.6 million or 6.6%, from \$25.2 million in 1H2017 to \$26.8 million in 1H2018 as a result of the increase in revenue, partially offset by the decrease in gross profit margin from new home sales

Operating expenses

Personnel cost increased by approximately \$0.3 million or 6.2%, from \$5.4 million in 1H2017 to \$5.7 million in 1H2018 due to an increase in payroll and staff-related expenses. Our average headcount increased from 136 in 1H2017 to 146 in 1H2018.

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).

Marketing and promotion expenses increased by approximately \$0.2 million or 60.5%, from \$0.4 million in 1H2017 to \$0.6 million in 1H2018 due to an increase in marketing activities in 1H2018.

Depreciation of plant and equipment remained at approximately \$0.2 million in both 1H2017 and 1H2018 as there was no major capital expenditure in 1H2018.

Amortisation of intangible assets was approximately \$0.5 million in both 1H2017 and 1H2018.

Allowance for doubtful debts decreased by approximately \$0.7 million or 46.8%, from \$1.5 million in 1H2017 to \$0.8 million in 1H2018. The higher 1H2017 figure was due to the Group providing a higher allowance for doubtful debts from January 2017 to better reflect the underlying debt recovery patterns. There is no change in the Group's provision for doubtful debt assessment since January 2017.

Finance costs of approximately \$0.2 million in 1H2017 comprised interest expense from bank borrowings. There was no finance costs in 1H2018 as the bank loan was fully repaid on 29 September 2017.

Other operating expenses increased by approximately \$0.1 million or 3.4%, from \$2.5 million in 1H2017 to \$2.6 million in 1H2018 mainly due to a donation of \$150,000 to National University of Singapore to establish a ERA Student Foundation bursary in June 2018.

Overall, total operating expenses decreased by approximately \$0.2 million or 2.6%, from \$10.7 million in 1H2017 to \$10.5 million in 1H2018.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately \$2.0 million or 13.4%, from \$14.4 million in 1H2017 to \$16.4 million in 1H2018.

Tax expense

Tax expense increased by approximately \$0.9 million or 43.8%, from \$1.9 million in 1H2017 to \$2.8 million in 1H2018. The increase was mainly due higher profits and the absence of write back of prior years' tax for 1H2018 (1H2017: \$0.5 million).

Profit for the period

As a result of the foregoing, profit for the period increased by approximately \$1.1 million or 8.7%, from \$12.5 million in 1H2017 to \$13.6 million in 1H2018.

- 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

30 June 2018 vs 31 December 2017

Non-current assets

The Group's total non-current assets amounted to approximately \$102.0 million and \$101.4 million as at 31 December 2017 and 30 June 2018 respectively. The decrease of approximately \$0.6 million or 0.7% was due to amortisation of intangible assets of \$0.5 million and \$0.2 million for depreciation of plant and equipment.

Current assets

Trade receivables amounted to approximately \$70.1 million and \$77.7 million as at 31 December 2017 and 30 June 2018 respectively. The increase of approximately \$7.6 million or 10.8% was mainly due to slower collections from developers in 2Q2018 as compared to 4Q2017.

Cash and bank balances decreased by approximately \$0.3 million or 0.5%, from \$62.0 million as at 31 December 2017 to \$61.7 million as at 30 June 2018.

As a result of the foregoing, total current assets increased by approximately \$7.8 million or 5.9%, from \$134.0 million as at 31 December 2017 to \$141.8 million as at 30 June 2018.

Non-current liabilities

The Group's total non-current liabilities decreased marginally from \$4.5 million as at 31 December 2017 to \$4.4 million as at 30 June 2018 due to the write back of deferred tax of \$0.1 million in 1H2018.

Current liabilities

Trade payables and accruals amounted to approximately \$82.0 million and \$82.1 million as at 31 December 2017 and 30 June 2018 respectively.

Other payables comprised mainly goods and services tax (GST) payable, deposits and sundry payables which amounted to approximately \$9.5 million and \$10.3 million as at 31 December 2017 and 30 June 2018 respectively. The increase of approximately \$0.8 million or 8.2% was mainly due to higher GST payable as at 30 June 2018.

Provision for taxation amounted to approximately \$5.0 million and \$5.4 million as at 31 December 2017 and 30 June 2018. The increase of approximately \$0.4 million or 8.5% was mainly due to the provision of income tax of \$2.8 million for 1H2018 which was offset by payment of income taxes of \$2.4 million in 1H2018.

As a result of the foregoing, total current liabilities increased by approximately \$0.7 million or 0.8%, from \$98.5 million as at 31 December 2017 to \$99.2 million as at 30 June 2018.

Equity attributable to the owners of the Company

The equity attributable to the owners of the Company increased by approximately \$6.5 million or 4.9%, from \$133.0 million as at 31 December 2017 to \$139.5 million as at 30 June 2018. The increase was attributable to the profit for 1H2018 of \$13.6 million partially offset by the dividends of \$7.1 million paid on 16 May 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).**

Cash Flow Review

2Q2018 vs 2Q2017

Net cash generated from operating activities was approximately \$12.3 million in 2Q2017 as compared to approximately \$5.3 million in 2Q2018. The decrease of approximately \$7.0 million was mainly due to the decrease in profit before tax of \$0.4 million, decrease in working capital of \$6.1 million and higher income tax payment of \$0.2 million, for 2Q2018 as compared to 2Q2017.

Net cash used in investing activities of approximately \$0.1 million in 2Q2018 was an advance extended to joint venture whereas approximately \$0.1 million in 2Q2017 was used for the purchase of plant and machinery, and investment in a joint venture.

Net cash used in financing activities was \$7.1 million in 2Q2018 for payment of dividends to shareholders of the Company compared to \$0.8 million in 2Q2017 which was used to repay bank loan.

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately \$1.9 million for 2Q2018 as compared to an increase of approximately \$11.3 million for 2Q2017.

Cash and cash equivalents as at 30 June 2018 stood at \$61.7 million.

1H2018 vs 1H2017

Net cash generated from operating activities was approximately \$12.7 million in 1H2017 as compared to approximately \$7.0 million in 1H2018. The decrease of approximately \$5.7 million was mainly due to decrease in working capital of \$6.1 million, lower allowance for doubtful debts of \$0.7 million and higher income tax payment of \$0.8 million for 1H2018 as compared to 1H2017, and partially offset by higher profit before tax of \$2.0 million.

Net cash used in investing activities was approximately \$0.1 million in 1H2017 as compared to approximately \$0.2 million in 1H2018. The increase is mainly due to the advance extended to a joint venture of \$0.2 million in 1H2018 compared to purchase of plant and equipment of \$0.1 million in 1H2017.

Net cash used in financing activities was approximately \$7.1 million in 1H2018 due to payment of dividends to shareholders in May 2018. In 1H2017, net cash used in financing activities was \$8.8 million for repayment of bank loan.

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately \$0.3 million for 1H2018 as compared to an increase of approximately \$3.7 million in 1H2017.

Cash and cash equivalents stood at \$61.7 million as at 30 June 2018.

9 Use of Proceeds Raised From IPO

The net proceeds raised from the IPO of \$27.0 million has not been utilised as at 30 June 2018.

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 pursuant to which the Additional Buyer's Stamp Duty rate was raised and the Loan-to-Value limit was reduced. This will likely 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 has been declining for the past 2 years and reached 19,755 (including ECs) as at 31 December 2017 before increasing to 26,961 (including ECs) as at 30 June 2018. The vacancy rate of completed private residential units remains high at 7.1% as at 30 June 2018.

As at 30 June 2018, there were 26,961 unsold units with planning approval. In addition, there is a potential supply of 19,500 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 8,400 units from awarded GLS sites and Confirmed List sites that have not been awarded yet, and (b) about 11,100 units from awarded en-bloc sale sites. A large part of this new supply of 19,500 units could be made available for sale later this year or next year, and will be completed from 2021 onwards.

12 Dividend

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

Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount	2.0 cents per ordinary share
Tax Rate	Tax Exempt

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

No.

(c) Date payable

Payment of interim dividend will be made on **7 September 2018**.

12 Dividend (Cont'd)

(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 **29 August 2018** to 5.00 p.m. (Singapore time) on **30 August 2018** (both dates inclusive) for the preparation of dividend warrants for the interim dividend.

Duly completed registrable transfers of the ordinary shares in the capital of the Company (“**Shares**”) 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 5.00 p.m. (Singapore time) on **29 August 2018** will be registered to determine shareholders' entitlements to the interim dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. (Singapore time) on **29 August 2018** will be entitled to the interim dividend.

13 If no dividend has been declared (recommended), a statement to that effect.

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 Confirmation Pursuant to the Rule 705(5) of the Listing Manual

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the second quarter and half year ended 30 June 2018 unaudited financial results to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Chua Khee Hak
CEO and Executive Director
7 August 2018

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.
