APAC REALTY LIMITED
Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2018

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APAC REALTY LIMITED
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UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

The Board of Directors of APAC Realty Limited wishes to announce the following unaudited results of the Group for the first quarter ended 31 March 2018.

1(a)(i) Consolidated Income Statement

	Group		
	1Q 2018 $'000	1Q 2017 $'000	Change (%)
Real estate brokerage fees and related services	103,737	65,947	57.3
Other revenue	1,490	1,218	22.3
Total Revenue	105,227	67,165	56.7
Cost of services	92,345	56,996	62.0
Personnel cost	3,355	2,603	28.9
Marketing and promotion expenses	322	181	77.9
Depreciation of plant and equipment	124	127	(2.4)
Amortisation of intangible assets	233	233	–
Allowance for doubtful debts provided - trade	528	1,088	(51.5)
Finance costs	–	141	nm
Other operating expenses	1,191	1,043	14.2
Total operating expenses	5,753	5,416	6.2
Costs and Expenses	98,098	62,412	57.2
Profit before tax	7,129	4,753	50.0
Income tax expense	1,212	722	67.9
Profit for the period	5,917	4,031	46.8
Profit attributable to:			
Owners of the Company	5,917	4,031	46.8

nm – not meaningful

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

	Group	
	1Q 2018	1Q 2017
	$'000	$'000
Included in other revenue		
Interest income	61	7
Included in other operating expenses		
Bad debts recovered	11	4
Included in income tax expense		
Over provision of prior years' tax	–	98
Deferred tax written back	40	40

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

	Group	
	1Q 2018	1Q 2017
	$'000	$'000
Profit for the period	5,917	4,031
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	5,917	4,031
Attributable to:		
Owners of the Company	5,917	4,031

1(b)(i) Statement of Financial Position

	Group		Company	
	31-Mar-18	31-Dec-17	**31-Mar-18**	31-Dec-17
	$'000	$'000	**$'000**	$'000
ASSETS				
Non-current assets				
Plant and equipment	1,122	1,223	–	–
Intangible assets	100,155	100,387	2,752	2,811
Investment in subsidiaries	–	–	117,294	117,294
Investment in joint venture	20	20	–	–
Fixed deposits	400	400	400	400
	101,697	102,030	120,446	120,505
Current assets				
Trade receivables	70,861	70,057	66	57
Other receivables	1,547	1,668	695	678
Amount due from subsidiaries	–	–	1,852	1,535
Amount due from a joint venture	175	75	–	–
Tax recoverable	4	19	4	19
Prepaid operating expenses	92	172	8	12
Cash and bank balances	63,538	61,971	39,160	38,089
	136,217	133,962	41,785	40,390
Total assets	237,914	235,992	162,231	160,895
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals	78,872	82,016	310	211
Other payables	8,792	9,500	–	–
Amount due to a subsidiary	–	–	6,567	11,983
Deferred income	1,611	1,972	–	27
Provision for taxation	5,246	4,989	–	–
	94,521	98,477	6,877	12,221
Net current assets	41,696	35,485	34,908	28,169
Non-current liabilities				
Deferred taxation	4,450	4,489	–	–
	4,450	4,489	–	–
Total liabilities	98,971	102,966	6,877	12,221
Net assets	138,943	133,026	155,354	148,674
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	39,998	34,081	56,408	49,728
Total equity	138,943	133,026	155,354	148,674

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

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

As at 31-Mar-18		As at 31-Dec-17	
$’000	$’000	$’000	$’000
Secured	Unsecured	Secured	Unsecured
–	–	-	–

(b) Amount repayable after one year

As at 31-Mar-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	
	1Q 2018 $'000	1Q 2017 $'000
Cash flows from operating activities		
Profit before tax	7,129	4,753
Adjustments for:		
Allowance for doubtful debts (trade)	528	1,088
Bad debts recovered	(11)	(4)
Depreciation of plant and equipment	124	127
Amortisation of intangible assets	233	233
Interest expense	–	141
Interest income	(61)	(7)
Operating cash flows before working capital changes	7,942	6,331
Changes in working capital		
Increase in trade and other receivables	(1,120)	(2,467)
Decrease in trade and other payables	(4,213)	(2,886)
Cash flows from operations	2,609	978
Interest income received	61	7
Interest paid	–	(141)
Income taxes paid	(980)	(404)
Net cash generated from operating activities	1,690	440
Cash flows from investing activities		
Purchase of plant and equipment	(23)	(61)
Advance extended to joint venture	(100)	–
Net cash used in investing activities	(123)	(61)
Cash flows from financing activities		
Repayment of loan and borrowings	–	(8,000)
Net cash used in financing activities	–	(8,000)
Net increase/(decrease) in cash and cash equivalents	1,567	(7,621)
Cash and cash equivalents at beginning of the period	61,971	17,747
Cash and cash equivalents at end of the period	63,538	10,126

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

GROUP - 2018	Share capital $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total reserves $'000	Total equity $'000
	Attributable to owners of the Company				
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
GROUP - 2017	$'000	$'000	$'000	$'000	$'000
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

COMPANY - 2018	Share capital $'000	Accumulated profits $'000	Total reserves $'000	Total equity $'000
	Attributable to owners of the Company			
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
COMPANY - 2017	$'000	$'000	$'000	$'000
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

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 1Q 2018. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 31 March 2018 and 31 December 2017.

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

As at 31 March 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.

Convergence with International Financial Reporting Standards

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 Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed below.

FRS 109 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 FRS 109 based on currently available information and expects no significant impact upon adoption.

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, 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 performed an assessment of adopting FRS 115 based on currently available information and expects no significant impact upon adoption.

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019. The Group plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

6 Earnings Per Ordinary Share

	Group		
Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:	**1Q 2018**	1Q 2017	Change (%)
(i) Based on the weighted average number of shares (cents)	1.67	1.30	28.5
- Weighted average number of shares ('000)	355,198	311,080	
(ii) On a fully diluted basis (cents)	1.67	1.30	28.5
- Adjusted weighted average number of shares ('000)	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 1Q2017.

7 Net Asset Value Per Share

	Group			Company		
	31-Mar-18	31-Dec-17	Change (%)	**31-Mar-18**	31-Dec-17	Change (%)
Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents)	39.1	37.5	4.3	43.7	41.9	4.3

Note: The net asset value per share have been computed based on the share capital of 355,197,700 as at 31 March 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. Our other revenue includes merchandise sales, training fees from courses conducted, property valuation fees, property management fees, consultancy services fees, franchise fees, rental income and others.

	1Q 2018 $'000	1Q 2017 $'000	Change (%)
Total revenue	105,227	67,165	56.7
Cost of services	92,345	56,996	62.0
Gross Profit	12,882	10,169	26.7

Operating Performance Review

<u>1Q2018 vs 1Q2017</u>

Revenue
Revenue increased by approximately $38.0 million or 56.7%, from $67.2 million in 1Q2017 to $105.2 million in 1Q2018. This was mainly due to the increase in brokerage income from resale and rental of properties of $18.5 million or 37.0%, from $49.9 million in 1Q2017 to $68.4 million in 1Q2018 and the increase in brokerage income from new home sales of $19.1 million or 127.6%, from $15.0 million in 1Q2017 to $34.1 million in 1Q2018. 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 1Q2018 increased by approximately $0.3 million from $1.2 million in 1Q2017 to $1.5 million in 1Q2018 mainly due to increase in income from business conference, rental income and interest income.

Cost of services
Our cost of services which mainly comprises the cost of brokerage services, increased by approximately $35.3 million or 62.0%, from $57.0 million in 1Q2017 to $92.3 million in 1Q2018, as a result of the increase in our revenue.

Gross profit
Gross profit increased by approximately $2.7 million or 26.7%, from $10.2 million in 1Q2017 to $12.9 million in 1Q2018. This was largely attributed to the increase in contribution from both the resale and rental of properties, and new home sales.

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

Operating Performance Review (cont'd)

Operating expenses

Personnel cost increased by approximately $0.8 million or 28.9%, from $2.6 million in 1Q2017 to $3.4 million in 1Q2018 due to an increase in payroll and staff-related expenses. Our average headcount increased from 133 in 1Q2017 to 145 in 1Q2018.

Marketing and promotion expenses increased slightly by approximately $0.1 million or 77.9%, from $0.2 million in 1Q2017 to $0.3 million in 1Q2018. The increase was mainly due to an increase in marketing activities in 1Q2018.

Depreciation of plant and equipment decreased marginally from $0.13 million in 1Q2017 to $0.12 million in 1Q2018.

Amortisation of intangible assets was approximately $0.23 million in both 1Q2017 and 1Q2018.

Allowance for doubtful debts decreased by approximately $0.6 million or 51.5%, from $1.1 million in 1Q2017 to $0.5 million in 1Q2018. The higher 1Q2017 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 $0.1 million in 1Q2017 comprised interest expense from bank borrowings. There was no finance costs in 1Q2018 as the bank loan was fully repaid on 29 September 2017.

Other operating expenses increased by approximately $0.2 million or 14.2%, from $1.0 million in 1Q2017 to $1.2 million in 1Q2018. The increase was mainly due to higher expenses incurred for upkeep of computer, rental and miscellaneous expenses in 1Q2018.

Overall, total operating expenses increased by approximately $0.4 million or 6.2%, from $5.4 million in 1Q2017 to $5.8 million in 1Q2018.

Profit before tax
As a result of the foregoing, profit before tax increased by approximately $2.3 million or 50.0%, from $4.8 million in 1Q2017 to $7.1 million in 1Q2018.

Tax expense
Tax expense increased by approximately $0.5 million or 67.9%, from $0.7 million in 1Q2017 to $1.2 million in 1Q2018. The increase is mainly due to the increase in our taxable income.

Profit for the period
As a result of the foregoing, profit for the period increased by approximately $1.9 million or 46.8%, from $4.0 million in 1Q2017 to $5.9 million in 1Q2018.

Financial Position Review

31 March 2018 vs 31 December 2017

Non-current assets
The Group's total non-current assets amounted to approximately $102.0 million and $101.7 million as at 31 December 2017 and 31 March 2018 respectively. The decrease of approximately $0.3 million or 0.3% was due to amortisation of intangible assets of $0.2 million and $0.1 million for depreciation of plant and equipment.

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

Financial Position Review (cont'd)

Current assets
Trade receivables amounted to approximately $70.1 million and $70.9 million as at 31 December 2017 and 31 March 2018 respectively. The increase of approximately $0.8 million or 1.1% was mainly due to slower collection from developers in 1Q2018 as compared to 4Q2017.

Cash and bank balances increased by approximately $1.5 million or 2.5%, from $62.0 million as at 31 December 2017 to $63.5 million as at 31 March 2018.

As a result of the foregoing, total current assets increased by approximately $2.2 million or 1.7%, from $134.0 million as at 31 December 2017 to $136.2 million as at 31 March 2018.

Current liabilities
Trade payables and accruals amounted to approximately $82.0 million and $78.9 million as at 31 December 2017 and 31 March 2018 respectively. The decrease of approximately $3.1 million or 3.8% was due to a drop in commission payables which corresponded with the lower billings in 1Q2018 of $103.7 million as compared to $128.7 million in 4Q2017.

Other payables comprised mainly of goods and services tax (GST) payable, deposits and sundry payables which amounted to approximately $9.5 million and $8.8 million as at 31 December 2017 and 31 March 2018 respectively. The decrease of approximately $0.7 million or 7.5% was mainly due to lower GST payable as at 31 March 2018 as a result of lower billings in 1Q2018 of $103.7 million as compared to $128.7 million in 4Q2017.

Provision for taxation amounted to approximately $5.0 million and $5.2 million as at 31 December 2017 and 31 March 2018 respectively. The increase of approximately $0.2 million or 5.2% was mainly due to the provision of income tax of $1.2 million for 1Q2018 which was offset by payment of income tax of $1.0 million in 1Q2018.

As a result of the foregoing, total current liabilites decreased by approximately $4.0 million or 4.0%, from $98.5 million as at 31 December 2017 to $94.5 million as at 31 March 2018.

Equity attributable to the owners of the Company
The equity attributable to the owners of the Company increased by approximately $5.9 million or 4.4%, from $$133.0 million as at 31 December 2017 to $138.9 million as at 31 March 2018. The increase was attributable to the profit of $5.9 million for 1Q2018.

Cash Flow Review

<u>1Q2018 vs 1Q2017</u>
Net cash generated from operating activities was approximately $0.4 million in 1Q2017 as compared to approximately $1.7 million in 1Q2018. The increase of $1.3 million was mainly due to a higher profit of $2.4 million which was offset by a lower allowance of doubtful debts of $0.6 million and a higher income tax payment of $0.6 million, for 1Q2018 as compared to 1Q2017.

Net cash used in investing activities was approximately $0.12 million in 1Q2018 as compared to approximately $0.06 million in 1Q2017. The increase is mainly due to the advance extended to the joint venture entity of $0.1 million in 1Q2018.

Net cash used in financing acitivites was $8.0 million in 1Q2017 (1Q2018: Nil) for repayment of bank loan.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately $1.6 million for 1Q2018 as compared to a decrease of approximately $7.6 million for 1Q2017.

Cash and cash equivalents as at 31 March 2018 stood at $63.5 million.

9 Use of Proceeds Raised From IPO

The net proceeds raised from the IPO of $27.0 million has not been utilised as at 31 March 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 residential property market is expected to be active as the underlying demand for residential properties is likely to remain strong, and current mortgage interest rates remain attractive. However, this may 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 24,193 (including ECs) as at 31 March 2018. The vacancy rate of completed private residential units remains high at 7.4% as at 31 March 2018.

As en-bloc sales have been very active over the past one to two years, the redevelopment of these en-bloc sites will add a significant number of housing units to the existing supply pipeline. The potential units from the redevelopment of en-bloc sites (13,200) and available parcels on Government land sales (6,900) could add up to 20,100. According to URA, a large part of this new supply 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?

No

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

No.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend has been declared for the period ended 31 March 2018.

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 first quarter ended 31 March 2018 unaudited financial results to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Chua Khee Hak
CEO
9 May 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.