APAC REALTY LIMITED
Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

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APAC REALTY LIMITED
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UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

The Board of Directors of APAC Realty Limited wishes to announce the following unaudited results of the Group for the third quarter and nine months ended 30 September 2018.

1(a)(i) Consolidated Income Statement

	Group					
	3Q 2018 $'000	3Q 2017 $'000	Change (%)	**9M 2018 $'000**	9M 2017 $'000	Change (%)
Revenue						
Real estate brokerage fees and related services	114,061	104,796	8.8	338,974	268,234	26.4
Other revenue	778	736	5.7	3,126	2,686	16.4
Total Revenue	114,839	105,532	8.8	342,100	270,920	26.3
Cost of services	100,078	91,855	9.0	300,495	232,055	29.5
Personnel cost	3,173	3,794	(16.4)	8,881	9,167	(3.1)
Marketing and promotion expenses	195	308	(36.7)	837	708	18.2
Depreciation of plant and equipment	127	127	–	374	381	(1.8)
Amortisation of intangible assets	233	233	–	699	699	–
Allowance for doubtful debts provided (trade and non-trade)	1,248	541	130.7	2,057	2,061	(0.2)
Finance costs	82	40	105.0	82	266	(69.2)
IPO expenses	–	1,062	nm	–	1,062	nm
Other operating expenses	1,605	1,024	56.7	4,195	3,529	18.9
Total operating expenses	6,663	7,129	(6.5)	17,125	17,873	(4.2)
Costs and Expenses	106,741	98,984	7.8	317,620	249,928	27.1
Profit before tax	8,098	6,548	23.7	24,480	20,992	16.6
Income tax expense	1,555	1,040	49.5	4,327	2,968	45.8
Profit for the period	6,543	5,508	18.8	20,153	18,024	11.8
Profit attributable to:						
Owners of the Company	6,543	5,508	18.8	20,153	18,024	11.8

nm – not meaningful

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

	Group			
	3Q 2018	3Q 2017	**9M 2018**	9M 2017
	$'000	$'000	**$'000**	$'000
Included in other revenue				
Interest income	70	8	197	20
Bad debts recovered	–	2	11	11
Included in other operating expenses				
Loss on disposal of plant and equipment	–	(7)	–	(16)
Foreign exchange gain	8	2	14	4
Loan facility/refinancing fee	(10)	–	(10)	(100)
Included in income tax expense				
(Under)/Over provision of prior years' tax	(87)	393	(87)	901
Deferred tax written back	40	40	119	119

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

	Group			
	3Q 2018	3Q 2017	**9M 2018**	9M 2017
	$'000	$'000	**$'000**	$'000
Profit for the period	6,543	5,508	20,153	18,024
Other comprehensive income				
Loss on exchange differences on translation, net of tax	(5)	–	(5)	–
Other comprehensive income for the period, net of tax	(5)	–	(5)	–
Total comprehensive income for the period	6,538	5,508	20,148	18,024
Attributable to:				
Owners of the Company	6,538	5,508	20,148	18,024

1(b)(i) Statement of Financial Position

	Group		Company	
	30-Sep-18	31-Dec-17	**30-Sep-18**	31-Dec-17
	$'000	$'000	**$'000**	$'000
ASSETS				
Non-current assets				
Investment property	72,800	–	–	–
Plant and equipment	915	1,223	–	–
Intangible assets	99,688	100,388	2,634	2,811
Investment in subsidiaries	–	–	190,094	117,294
Investment in joint venture	20	20	–	–
Investment - others	56	–	–	–
Fixed deposits	400	400	400	400
	173,879	102,031	193,128	120,505
Current assets				
Trade receivables	74,007	70,057	63	57
Other receivables	1,755	1,668	563	678
Amount due from subsidiaries	–	–	229	1,535
Tax recoverable	32	19	32	19
Amount due from joint venture	175	75	–	–
Prepaid operating expenses	154	171	17	12
Cash and bank balances	51,534	61,971	21,671	38,089
	127,657	133,961	22,575	40,390
Total assets	301,536	235,992	215,703	160,895
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals	82,530	82,016	373	211
Other payables	10,604	9,500	–	–
Amount due to a subsidiary	–	–	4,011	11,983
Deferred income	1,371	1,972	–	27
Loan and borrowing	58,000	–	58,000	–
Provision for taxation	5,642	4,989	–	–
	158,147	98,477	62,384	12,221
Net current assets/(liabilities)	(30,490)	35,484	(39,809)	28,169
Non-current liabilities				
Deferred taxation	4,423	4,489	–	–
	4,423	4,489	–	–
Total liabilities	162,570	102,966	62,384	12,221
Net assets	138,966	133,026	153,319	148,674
Equity attributable to owners of the Company				
Share capital	98,946	98,946	98,946	98,946
Foreign currency translation reserve	(6)	(1)	–	–
Accumulated profits	40,026	34,081	54,373	49,728
Total equity	138,966	133,026	153,319	148,674

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

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

As at 30-Sep-18		As at 31-Dec-17	
$'000	$'000	$'000	$'000
Secured	Unsecured	Secured	Unsecured
58,0000	–	–	–

(b) Amount repayable after one year

As at 30-Sep-18		As at 31-Dec-17	
$'000	$'000	$'000	$'000
Secured	Unsecured	Secured	Unsecured
–	–	–	–

(c) Details of any collaterals

SGD bank loan at floating rate

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

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

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

Subsequent to the push down of loan to AIP on 19 October 2018, approximately $2.9 million of the loan would be repayable in one year or less, and approximately $55.1 million would be repayable after one year (reclassified as non-current liability).

1(c) Consolidated Statement of Cash Flows

	Group			
	3Q 2018 $'000	3Q 2017 $'000	**9M 2018 $'000**	9M 2017 $'000
Cash flows from operating activities				
Profit before tax	8,098	6,548	24,480	20,992
Adjustments for:				
Allowance for doubtful debts (trade and non-trade)	1,248	541	2,057	2,061
Bad debts recovered	–	(2)	(11)	(11)
Depreciation of plant and equipment	127	127	374	381
Loss on disposal of plant and equipment	–	7	–	16
Amortisation of intangible assets	233	233	699	699
Interest expense	82	40	82	266
Interest income	(70)	(8)	(197)	(20)
Operating cash flows before working capital changes	9,718	7,486	27,484	24,384
Changes in working capital				
Decrease/(increase) in trade and other receivables	2,972	1,334	(5,820)	(22,217)
Increase in trade and other payables	668	134	1,018	21,355
Cash flows from operations	13,358	8,954	22,682	23,522
Interest income received	70	8	197	20
Interest paid	(82)	(40)	(82)	(266)
Income taxes paid	(1,331)	(1,178)	(3,754)	(2,828)
Net cash generated from operating activities	12,015	7,744	19,043	20,448
Cash flows from investing activities				
Acquisition of investment property	(72,800)	–	(72,800)	–
Advance extended to joint venture	(150)	(150)	(350)	(150)
Purchase of investment - others	(56)	–	(56)	–
Purchase of plant and equipment	(25)	(38)	(67)	(149)
Investment in joint venture	–	–	–	(34)
Proceeds from disposal of plant and equipment	–	–	1	–
Net cash used in investing activities	(73,031)	(188)	(73,272)	(333)
Cash flows from financing activities				
Proceeds from loan and borrowings	58,000	10,000	58,000	10,000
Payment of dividends	(7,104)	–	(14,208)	–
Proceeds from issue of IPO shares	–	28,263	–	28,263
Repayment of loan and borrowings	–	(19,165)	–	(28,000)
Net cash generated from financing activities	50,896	19,098	43,792	10,263
Net (decrease)/increase in cash and cash equivalents	(10,120)	26,654	(10,437)	30,378
Cash and cash equivalents at beginning of the period	61,654	21,471	61,971	17,747
Cash and cash equivalents at end of the period	51,534	48,125	51,534	48,125

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
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
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	40,020	138,966

GROUP - 2017	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 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
New shares issued pursuant to the IPO on 28 September 2017	28,263	–	–	–	28,263
	98,963	(1)	20,694	20,693	119,656
Profit for the period	–	–	5,508	5,508	5,508
Total comprehensive income	–	–	5,508	5,508	5,508
As at 30 September 2017	98,963	(1)	26,202	26,201	125,164

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
Profit for the period	–	4,632	4,632	4,632
Total comprehensive income	–	4,632	4,632	4,632
Dividend paid	–	(7,104)	(7,104)	(7,104)
As at 30 September 2018	98,946	54,373	54,373	153,319

COMPANY - 2017	Attributable to owners of the Company Share capital $'000	 Accumulated profits $'000	 Total reserves $'000	 Total equity $'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
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
New shares issued pursuant to the IPO on 28 September 2017	28,263	–	–	28,263
	98,963	29,304	29,304	128,267
Profit for the period	–	4,177	4,177	4,177
Total comprehensive income	–	4,177	4,177	4,177
As at 30 September 2017	98,963	33,481	33,481	132,444

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 3Q2018. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 September 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 September 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

	Group					
Earnings per ordinary share of the Group based on net profit/(loss) attributable to owners of the Company:	**3Q 2018**	3Q 2017	Change (%)	**9M 2018**	9M 2017	Change (%)
(i) Based on the weighted average number of shares (cents)	1.84	1.76	4.5	5.67	5.78	(1.9)
- Weighted average number of shares ('000)	355,198	312,519		355,198	311,565	
(ii) On a fully diluted basis (cents)	1.84	1.76	4.5	5.67	5.78	(1.9)
- Adjusted weighted average number of shares ('000)	355,198	312,519		355,198	311,565	

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 3Q 2017 and 9M 2017 would have been 1.55 cents and 5.07 cents respectively.

7 Net Asset Value Per Share

	Group			Company		
	30-Sep-18	31-Dec-17	Change (%)	**30-Sep-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	43.2	41.9	3.1

Note: The net asset value per share have been computed based on 355,197,700 issued shares as at 30 September 2018 and 31 December 2017.

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

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

	3Q 2018 $'000	3Q 2017 $'000	Change (%)
Total revenue	114,839	105,532	8.8
Cost of services	100,078	91,855	9.0
Gross Profit	14,761	13,677	7.9

<u>3Q2018 vs 3Q2017</u>

Revenue

Revenue from real estate brokerage fees and related services increased by approximately $9.3 million or 8.8%, from $104.8 million in 3Q2017 to $114.1 million in 3Q2018. This was mainly due to the increase in brokerage income from:

(a) resale and rental of properties of $4.2 million or 5.7%, from $72.3 million in 3Q2017 to $76.5 million in 3Q2018; and
(b) new home sales of $5.2 million or 16.9%, from $30.8 million in 3Q2017 to $36.0 million in 3Q2018.

Other revenue increased by approximately $0.1 million or 5.7%, from $0.7 million in 3Q2017 to $0.8 million in 3Q2018 mainly due to higher interest income in 3Q2018.

As a result of the foregoing, total revenue increased by approximately $9.3 million or 8.8%, from $105.5 million in 3Q2017 to $114.8 million in 3Q2018.

Cost of services

Cost of services increased by approximately $8.2 million or 9.0%, from $91.9 million in 3Q2017 to $100.1 million in 3Q2018 which was in line with the increase in revenue.

Gross profit

Gross profit increased by approximately $1.1 million or 7.9%, from $13.7 million in 3Q2017 to $14.8 million in 3Q2018. This was largely attributed to the increase in contribution from the resale and rental of properties.

Operating expenses

Personnel cost decreased by approximately $0.6 million or 16.4%, from $3.8 million in 3Q2017 to $3.2 million in 3Q2018 mainly due to a special one month bonus declared in September 2017 for all staff (except senior management) amounting to $0.4 million (3Q2018: Nil).

Marketing and promotion expenses decreased by approximately $0.1 million or 36.7%, from $0.3 million in 3Q2017 to $0.2 million in 3Q2018. The decrease was mainly due to less marketing activities in 3Q2018.

Depreciation of plant and equipment was approximately $0.1 million in both 3Q2017 and 3Q2018.

Amortisation of intangible assets was approximately $0.2 million in both 3Q2017 and 3Q2018.

Allowance for doubtful debts increased by approximately $0.7 million or 130.7%, from $0.5 million in 3Q2017 to $1.2 million in 3Q2018. The higher provision was the result of slower collections from customers and external co-broke agencies. The Company has already stepped up its debt recovery efforts.

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).

Finance costs in 3Q2017 and 3Q2018 comprised interest expense from bank borrowings and were lower than $0.1 million.

Other operating expenses increased by approximately $0.6 million or 56.7%, from $1.0 million in 3Q2017 to $1.6 million in 3Q2018. The increase was mainly due to stamp duty, professional expenses and related expenses incurred for the acquisition of a new subsidiary (APAC Investment Pte. Ltd., formerly known as HC Home Pte. Ltd.) amounting to approximately $0.3 million and operating expenses of the new subsidiary of approximately $0.1 million in 3Q2018.

Overall, total operating expenses decreased by approximately $0.4 million or 6.5%, from $7.1 million in 3Q2017 to $6.7 million in 3Q2018.

Profit before tax
As a result of the foregoing, profit before tax increased by approximately $1.6 million or 23.7%, from $6.5 million in 3Q2017 to $8.1 million in 3Q2018.

Tax expense
Tax expense increased by approximately $0.6 million or 49.5%, from $1.0 million in 3Q2017 to $1.6 million in 3Q2018. The increase was mainly due to higher taxable income and the absence of write back of prior years' tax in 3Q2018 (3Q2017: $0.4 million).

Profit for the period
As a result of the foregoing, profit for the period increased by approximately $1.0 million or 18.8%, from $5.5 million in 3Q2017 to $6.5 million in 3Q2018.

<u>9M2018 vs 9M2017</u>

	9M 2018 $'000	9M2017 $'000	Change (%)
Total revenue	342,100	270,920	26.3
Cost of services	300,495	232,055	29.5
Gross Profit	41,605	38,865	7.1

Revenue
Revenue from real estate brokerage fees and related services increased by approximately $70.8 million or 26.4%, from $268.2 million in 9M2017 to $339.0 million in 9M2018. This was mainly due to the increase in brokerage income from:

(a) resale and rental of properties of $43.5 million or 23.2%, from $186.9 million in 9M2017 to $230.4 million in 9M2018; and

(c) new home sales of $27.6 million or 35.9%, from $76.9 million in 9M2017 to $104.5 million in 9M2018.

Other revenue increased by approximately $0.4 million or 16.4%, from $2.7 million in 9M2017 to $3.1 million in 9M2018. The increase was mainly due to higher business conference income, bank referral fees and interest income in 9M2018.

As a result of the foregoing, total revenue increased by approximately $71.2 million or 26.3%, from $270.9 million in 9M2017 to $342.1 million in 9M2018.

Cost of services
Cost of services increased by approximately $68.4 million or 29.5%, from $232.1 million in 9M2017 to $300.5 million in 9M2018. The more than proportionate increase in cost of services was primarily due to higher payout of commission to our agents for new home sales in 9M2018.

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 increased by approximately $2.7 million or 7.1%, from $38.9 million in 9M2017 to $41.6 million in 9M2018. 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 $0.3 million or 3.1%, from $9.2 million in 9M2017 to $8.9 million in 9M2018 mainly due to a special one month bonus declared in September 2017 for all staff (except senior management) amounting to $0.4 million (9M2018: Nil)..

Marketing and promotion expenses increased by approximately $0.1 million or 18.2%, from $0.7 million in 9M2017 to $0.8 million in 9M2018. The increase was mainly due to higher marketing activities in 9M2018.

Depreciation of plant and equipment was approximately $0.4 million in both 9M2017 and 9M2018 as there were no major capital expenditure in 9M2018.

Amortisation of intangible assets was approximately $0.7 million in both 9M2017 and 9M2018.

Allowance for doubtful debts was approximately $2.1 million in both 9M2017 and 9M2018.

Finance costs in 9M2017 and 9M2018 comprised interest expense from bank borrowings. Finance costs decreased by approximately $0.2 million or 69.2%, from $0.3 million in 9M2017 to $0.1 million in 9M2018 as the Group incurred only 1 month of interest expense in 9M2018 compared to 9 months for the corresponding period. However, going forward, higher finance cost will be incurred due to a new loan of $58.0 million drawn on 10 September 2018 to part-finance the acquistion of the investment property.

Other operating expenses increased by approximately $0.7 million or 18.9%, from $3.5 million in 9M2017 to $4.2 million in 9M2018. The increase was mainly due to stamp duty, professional expenses and related expenses incurred for the acquisition of a new subsidiary amounting to approximately $0.3 million in September 2018, a donation of approximately $0.2 million to National University of Singapore to establish a ERA Student Foundation bursary in June 2018, and operating expenses of the new subsidiary of approximately $0.1 million.

Overall, total operating expenses decreased by approximately $0.8 million or 4.2%, from $17.9 million in 9M2017 to $17.1 million in 9M2018.

Profit before tax
As a result of the foregoing, profit before tax increased by approximately $3.5 million or 16.6%, from $21.0 million in 9M2017 to $24.5 million in 9M2018.

Tax expense
Tax expense increased by approximately $1.3 million or 45.8%, from $3.0 million in 9M2017 to $4.3 million in 9M2018. The increase was mainly due to higher taxable income and the absence of write back of prior years' tax in 9M2018 (9M2017: $0.9 million).

Profit for the period
As a result of the foregoing, profit for the period increased by approximately $2.2 million or 11.8%, from $18.0 million in 9M2017 to $20.2 million in 9M2018.

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 September 2018 vs 31 December 2017

Non-current assets
The Group's total non-current assets amounted to approximately $102.0 million and $173.9 million as at 31 December 2017 and 30 September 2018 respectively. The increase of approximately $71.9 million or 70.4% was mainly due to an investment property with a fair value of $72.8 million held by a subsidiary which was acquired on 10 September 2018 and partially offset by the amortisation of intangible assets of $0.7 million and depreciation of plant and equipment of $0.4 million in 9M2018.

Current assets
Trade receivables amounted to approximately $70.1 million and $74.0 million as at 31 December 2017 and 30 September 2018 respectively. The increase of approximately $3.9 million or 5.6% was mainly due to slower collections from developers in 3Q2018 as compared to 4Q2017.

Cash and bank balances decreased by approximately $10.5 million or 16.8%, from $62.0 million as at 31 December 2017 to $51.5 million as at 30 September 2018 mainly due to the cash payment of $14.8 million for the acquistion of the new subsidiary as mentioned above.

As a result of the foregoing, total current assets decreased by approximately $6.3 million or 4.7%, from $134.0 million as at 31 December 2017 to $127.7 million as at 30 September 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 September 2018 due to writeback of deferred tax of $0.1 million in 9M2018.

Current liabilities
Trade payables and accruals amounted to approximately $82.0 million and $82.5 million as at 31 December 2017 and 30 September 2018 respectively.

Other payables comprised mainly goods and services tax (GST) payable, deposits and sundry payables which amounted to approximately $9.5 million and $10.6 million as at 31 December 2017 and 30 September 2018 respectively. The increase of approximately $1.1 million or 11.6% was mainly due to renewal fees of $0.9 million collected from real estate salespersons in 9M2018 which would be paid to the Council for Estate Agencies in 4Q2018.

Deferred income decreased by approximately $0.6 million or 30.5% from $2.0 million as at 31 December 2017 to $1.4 million as at 30 September 2018 due to $0.6 million of professional indemnity income recognised in 9M2018.

The loan and borrowing of $58.0 million relates to the acquistion of the new subsidiary on 10 September 2018 as mentioned above.

Provision for taxation amounted to approximately $5.0 million and $5.6 million as at 31 December 2017 and 30 September 2018. The increase of approximately $0.6 million or 13.1% was mainly due to the provision of income tax of $4.3 million for 9M2018 offset by payment of income taxes of $3.8 million in 9M2018.

As a result of the foregoing, total current liabilites increased by approximately $59.6 million or 60.6%, from $98.5 million as at 31 December 2017 to $158.1 million as at 30 September 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).

Equity attributable to the owners of the Company
The equity attributable to the owners of the Company increased by approximately $6.0 million or 4.5%, from $133.0 million as at 31 December 2017 to $139.0 million as at 30 September 2018. The increase was attributable to the profit for 9M2018 of $20.2 million partially offset by 2 dividend payments of $7.1 million each on 16 May 2018 and 7 September 2018.

Cash Flow Review

3Q2018 vs 3Q2017

Net cash generated from operating activities was approximately $12.0 million in 3Q2018 as compared to approximately $7.7 million in 3Q2017. The increase of $4.3 million was mainly due to the higher profit before tax of $1.6 million and increase in non-cash expenses and working capital of $2.9 million for 3Q2018 as compared to 3Q2017.

Net cash used in investing activities was approximately $73.0 million in 3Q2018 as compared to approximately $0.2 million in 3Q2017. The increase of $72.8 million was due to the acquisition of the investment property.

Net cash generated from financing activities was approximately $50.9 million in 3Q2018 due to the proceeds of bank borrowings of $58.0 million partially offset by $7.1 million for payment of dividends to shareholders on 7 September 2018. In 3Q2017, net cash generated from financing activities was approximately $19.1 million due to the issue of the IPO shares of $28.3 million partially offset by repayment of loan of $9.2 million.

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately $10.1 million for 3Q2018 as compared to an increase of approximately $26.7 million for 3Q2017.

9M2018 vs 9M2017

Net cash generated from operating activities was approximately $19.0 million in 9M2018 as compared to approximately $20.4 million in 9M2017. The decrease of approximately $1.4 million was mainly due to a decrease in working capital of $3.9 million and higher income tax paid of $0.9 million offset by higher profit before tax of $3.5 million in 9M2018 as compared to 9M2017.

Net cash used in investing activities was approximately $73.3 million in 9M2018 as compared to approximately $0.3 million in 9M2017. The increase of approximately $73.0 million was mainly due to the acquisition of the investment property of $72.8 million and higher advance extended to the joint venture of $0.2 million in 9M2018 as compared to 9M2017.

Net cash generated from financing activities was approximately $43.8 million in 9M2018 due to the proceeds of bank borrowings of $58.0 million partially offset by a total of $14.2 million for payment of dividends to shareholders on 16 May 2018 and 7 September 2018. In 9M2017, net cash generated from financing activities was $10.3 million due to the issue of the IPO shares of $28.3 million in September 2017 partially offset by net repayment of loans of $18.0 million.

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately $10.4 million for 9M2018 as compared to an increase of approximately $30.4 million in 9M2017.

Cash and cash equivalents stood at $51.5 million as at 30 September 2018.

9 Use of Proceeds Raised From IPO

As announced by the Company on 10 September 2018, the Company has utilised $10 million of the net proceeds raised from the IPO for partial payment of the purchase price of $72.8 million for the acquisition of the entire issued share capital of APAC Investment Pte. Ltd. (formerly known as HC Home Pte. Ltd.). The balance of the net IPO proceeds as at the date of this announcement is $17.0 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 government introduced a fresh round of property cooling measures on 5 July 2018 where the additional buyer's stamp duty was raised and loan-to-value ratio was reduced. This will affect the underlying demand for residential properties in Singapore. The Singapore property market may also be affected by any adverse global economic conditions and changes in mortgage interest rates.

The total number of unsold private residential units have been declining for the past 2 years and reached 19,755 (including ECs) as at 31 December 2017 before increasing to 31,295 (including ECs) as at 30 September 2018. The vacancy rate of completed private residential units remains high at 6.8% as at 30 September 2018.

As at 30 September 2018, there were 31,295 unsold units with planning approval. In addition, there is a potential supply of 14,200 units (including ECs) from Government Land Sales (GLS) sites and awarded en-bloc sale sites that have not been granted planning approval yet. They comprise (a) about 6,700 units from awarded GLS sites and Confirmed List sites that have not been awarded yet, and (b) about 7,500 units from awarded en-bloc sale sites. A large part of this new supply of 14,200 units could be made available for sale next year, and will be completed from 2022 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 30 September 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 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 third quarter and nine months ended 30 September 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
12 November 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.