



APAC REALTY LIMITED
Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FIRST QUARTER ENDED 31 MARCH 2019

| <u>TABLE OF CONTENTS</u> | | <u>PAGE</u> |
|---------------------------------|--|--------------------|
| 1 (a) (i) | Consolidated Income Statement | 2 |
| 1 (a) (ii) | Notes to Consolidated Income Statement | 3 |
| 1 (a) (iii) | Consolidated Statement of Comprehensive Income | 3 |
| 1 (b) (i) | Statement of Financial Position | 4 |
| 1 (b) (ii) | Group Borrowings and Debt Securities | 5 |
| 1 (c) | Consolidated Statement of Cash Flows | 6 |
| 1 (d) (i) | Consolidated Statement of Changes in Equity | 7 |
| 1 (d) (ii) | Share Capital | 7 |
| 1 (d) (iii) | Total Number of Issued Shares | 8 |
| 1 (d) (iv) | Treasury Shares | 8 |
| 2 | Audit | 8 |
| 3 | Auditors' Report | 8 |
| 4 | Accounting Policies | 8 |
| 5 | Changes in Accounting Policies | 8 |
| 6 | Earnings Per Ordinary Share | 9 |
| 7 | Net Asset Value Per Share | 9 |
| 8 | Review of Group Performance | 10 |
| 9 | Use of Proceeds Raised from the Initial Public Offering Of Shares ("IPO") | 13 |
| 10 | Variance from Prospect Statement | 13 |
| 11 | Prospects | 13 |
| 12 | Dividend | 14 |
| 13 | Dividend Statement | 14 |
| 14 | Interested Person Transactions ("IPT") | 14 |
| 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 | 14 |
| 16 | Confirmation Pursuant to the Rule 705(5) of the Listing Manual | 14 |

APAC REALTY LIMITED
Company Registration Number: 201319080C

UNAUDITED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

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 2019.

1(a)(i) Consolidated Income Statement

| | Group | | |
|---|----------------|----------------|---------------|
| | 1Q 2019 | 1Q 2018 | Change |
| | \$'000 | \$'000 | (%) |
| Real estate brokerage fees and related services | 76,206 | 103,737 | (26.5) |
| Other revenue | 1,199 | 1,490 | (19.5) |
| Total Revenue | 77,405 | 105,227 | (26.4) |
| Cost of services | 67,943 | 92,345 | (26.4) |
| Personnel cost | 3,316 | 3,355 | (1.2) |
| Marketing and promotion expenses | 951 | 322 | 195.3 |
| Depreciation of plant and equipment | 130 | 124 | 4.8 |
| Depreciation of right-of-use assets | 399 | – | nm |
| Amortisation of intangible assets | 233 | 233 | – |
| Allowance for doubtful debts provided | | | |
| - trade | 139 | 528 | (73.7) |
| - non trade | 54 | – | nm |
| Finance costs | 445 | – | nm |
| Other operating expenses | 1,576 | 1,191 | 32.3 |
| Total operating expenses | 7,243 | 5,753 | 25.9 |
| Costs and Expenses | 75,186 | 98,098 | (23.4) |
| Profit before tax | 2,219 | 7,129 | (68.9) |
| Income tax expense | 477 | 1,212 | (60.6) |
| Profit for the period | 1,742 | 5,917 | (70.6) |
| Profit attributable to: | | | |
| Owners of the Company | 1,777 | 5,917 | (70.0) |
| Non controlling interests | (35) | – | nm |
| | 1,742 | 5,917 | (70.6) |

nm – not meaningful

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

| | Group | |
|---|----------------|----------------|
| | 1Q 2019 | 1Q 2018 |
| | \$'000 | \$'000 |
| <u>Included in other revenue</u> | | |
| Interest income | 130 | 61 |
| <u>Included in other operating expenses</u> | | |
| Bad debts recovered | 19 | 11 |
| Foreign exchange loss/(gain), net | 198 | (7) |
| Investment in joint venture written back | (17) | – |
| Plant and equipment written off | 20 | – |
| Rental expense | 174 | 668 |
| <u>Included in income tax expense</u> | | |
| Deferred tax written back | 40 | 40 |
| | | |
| <u>Reconciliation</u> | | |
| Rental expense | 174 | 668 |
| Interest on lease liabilities (included in finance costs) | 69 | – |
| Depreciation of right-of-use assets | 399 | – |
| | <u>642</u> | <u>668</u> |

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

| | Group | |
|--|----------------|----------------|
| | 1Q 2019 | 1Q 2018 |
| | \$'000 | \$'000 |
| Profit for the period | 1,742 | 5,917 |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Foreign currency translation | (10) | – |
| Other comprehensive income for the period, net of tax | (10) | – |
| Total comprehensive income for the period | <u>1,732</u> | <u>5,917</u> |
| Attributable to: | | |
| Owners of the Company | 1,767 | 5,917 |
| Non controlling interests | (35) | – |
| | <u>1,732</u> | <u>5,917</u> |

1(b)(i) Statement of Financial Position

| | Group | | Company | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 31-Mar-19 \$'000 | 31-Dec-18 \$'000 | 31-Mar-19 \$'000 | 31-Dec-18 \$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Investment property | 72,800 | 72,800 | – | – |
| Plant and equipment | 988 | 1,076 | – | – |
| Right-of-use assets | 6,249 | – | – | – |
| Intangible assets | 99,222 | 99,455 | 2,516 | 2,575 |
| Investment in subsidiaries | – | – | 190,153 | 190,111 |
| Other investment | 9 | 9 | – | – |
| Fixed deposits | 400 | 400 | 400 | 400 |
| | <u>179,668</u> | <u>173,740</u> | <u>193,069</u> | <u>193,086</u> |
| Current assets | | | | |
| Convertible loan | 2,794 | 2,794 | – | – |
| Trade receivables | 47,955 | 51,966 | 66 | 60 |
| Other receivables | 8,896 | 1,395 | 589 | 547 |
| Recoverables | 6,464 | 7,943 | – | – |
| Amount due from subsidiaries | – | – | 10,621 | 3,078 |
| Amount due from a joint venture | – | 309 | – | – |
| Tax recoverable | – | – | 8 | – |
| Prepaid operating expenses | 2,445 | 2,038 | 8 | 12 |
| Cash and bank balances | 34,931 | 43,019 | 13,773 | 23,008 |
| | <u>103,485</u> | <u>109,464</u> | <u>25,065</u> | <u>26,705</u> |
| Total assets | <u>283,153</u> | <u>283,204</u> | <u>218,134</u> | <u>219,791</u> |
| EQUITY AND LIABILITIES | | | | |
| Current liabilities | | | | |
| Trade payables and accruals | 57,656 | 63,452 | 384 | 330 |
| Other payables | 6,186 | 7,829 | – | – |
| Amount due to subsidiaries | – | – | 57,631 | 59,329 |
| Deferred income | 1,523 | 1,840 | – | – |
| Lease liabilities | 1,627 | – | – | – |
| Loan and borrowing | 2,900 | 2,900 | – | – |
| Provision for taxation | 5,636 | 5,172 | – | 8 |
| | <u>75,528</u> | <u>81,193</u> | <u>58,015</u> | <u>59,667</u> |
| Net current assets/(liabilities) | 27,957 | 28,271 | (32,950) | (32,962) |
| Non-current liabilities | | | | |
| Lease liabilities | 4,625 | – | – | – |
| Loan and borrowing | 53,892 | 54,617 | – | – |
| Deferred taxation | 4,250 | 4,290 | – | – |
| | <u>62,767</u> | <u>58,907</u> | <u>–</u> | <u>–</u> |
| Net assets | <u>144,858</u> | <u>143,104</u> | <u>160,119</u> | <u>160,124</u> |
| Equity attributable to owners of the Company | | | | |
| Share capital | 98,946 | 98,946 | 98,946 | 98,946 |
| Foreign currency translation reserve | (13) | (3) | – | – |
| Accumulated profits | 45,895 | 44,118 | 61,173 | 61,178 |
| | <u>144,828</u> | <u>143,061</u> | <u>160,119</u> | <u>160,124</u> |
| Non-controlling interests | 30 | 43 | – | – |
| Total equity | <u>144,858</u> | <u>143,104</u> | <u>160,119</u> | <u>160,124</u> |

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

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

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

(b) Amount repayable after one year

| As at 31-Mar-19 | | As at 31-Dec-18 | |
|-----------------|-----------|-----------------|-----------|
| \$'000 | \$'000 | \$'000 | \$'000 |
| Secured | Unsecured | Secured | Unsecured |
| 53,892 | – | 54,617 | - |

(c) Details of any collaterals

SGD bank loan at floating rate

The loan of \$58.0 million is secured by way of a first legal mortgage over the property at 450 Lorong 6 Toa Payoh, Singapore 319394 of the subsidiary, APAC Investment Pte. Ltd. and a corporate guarantee from the Company.

The loan bears interest ranging from the prevailing 1 month SIBOR plus 0.9% to 2.0% per annum and are repayable by 59 monthly instalments of \$241,667 per month and the final bullet principal payment of \$43,741,647 on the final maturity date, 19 October 2023. The commencement date of repayment of the loan is 19 November 2018.

1(c) Consolidated Statement of Cash Flows

| | Group | |
|---|----------------|----------------|
| | 1Q 2019 | 1Q 2018 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Profit before tax | 2,219 | 7,129 |
| <u>Adjustments for:</u> | | |
| Allowance for doubtful debts (trade and non-trade) | 193 | 528 |
| Bad debts recovered | (19) | (11) |
| Depreciation of plant and equipment | 130 | 124 |
| Depreciation of right-of-use assets | 399 | – |
| Plant and equipment written off | 20 | – |
| Amortisation of intangible assets | 233 | 233 |
| Write back of investment in joint venture | (17) | – |
| Interest expense | 445 | – |
| Interest income | (130) | (61) |
| Operating cash flows before working capital changes | 3,473 | 7,942 |
| <u>Changes in working capital</u> | | |
| Increase in trade and other receivables | 5,016 | (1,120) |
| Decrease in trade and other payables | (7,755) | (4,213) |
| Cash flows from operations | 734 | 2,609 |
| Interest income received | 130 | 61 |
| Interest paid | (376) | – |
| Income taxes paid | (53) | (980) |
| Net cash generated from operating activities | 435 | 1,690 |
| Cash flows from investing activities | | |
| Purchase of plant and equipment | (63) | (23) |
| Proceeds received from shares issued to non-controlling interests | 22 | – |
| Advances extended to PT Realti Jaya Abadi ⁽¹⁾ | (7,249) | – |
| Advances extended to joint venture | (60) | (100) |
| Net cash used in investing activities | (7,350) | (123) |
| Cash flows from financing activities | | |
| Proceeds from partial disposal of interests in joint venture | 17 | – |
| Repayment of lease liabilities | (465) | – |
| Repayment of loan and borrowings | (725) | – |
| Net cash used in financing activities | (1,173) | – |
| Net (decrease)/increase in cash and cash equivalents | (8,088) | 1,567 |
| Cash and cash equivalents at beginning of the period | 43,019 | 61,971 |
| Cash and cash equivalents at end of the period | 34,931 | 63,538 |

Note:

- (1) A total of \$7.2 million was disbursed in 1Q2019 as loan through APAC Investment 2 Pte Ltd to PT Realti Jaya Abadi to fund the acquisition of PT ERA Graharealty (“ERA Indonesia”). \$6.3 million was drawdown on 11 February 2019 and \$0.9 million was drawdown on 14 March 2019.

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

| GROUP - 2019 | Share capital \$'000 | Foreign currency translation reserve \$'000 | Accumulated profits \$'000 | Attributable to owners of the Company \$'000 | Non-controlling interests \$'000 | Total equity \$'000 |
|---|--------------------------------|---|--------------------------------------|--|--|-------------------------------|
| As at 1 January 2019 | 98,946 | (3) | 44,118 | 143,061 | 43 | 143,104 |
| Issuance of new shares of subsidiary to non-controlling interests | – | – | – | – | 22 | 22 |
| | 98,946 | (3) | 44,118 | 143,061 | 65 | 143,126 |
| Profit/(loss) for the period | – | – | 1,777 | 1,777 | (35) | 1,742 |
| Other comprehensive income - Foreign currency translation | – | (10) | – | (10) | – | (10) |
| Total comprehensive income | – | (10) | 1,777 | 1,767 | (35) | 1,732 |
| As at 31 March 2019 | 98,946 | (13) | 45,895 | 144,828 | 30 | 144,858 |
| GROUP - 2018 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 1 January 2018 | 98,946 | (1) | 34,081 | 133,026 | – | 133,026 |
| Profit for the period | – | – | 5,917 | 5,917 | – | 5,917 |
| Total comprehensive income | – | – | 5,917 | 5,917 | – | 5,917 |
| As at 31 March 2018 | 98,946 | (1) | 39,998 | 138,943 | – | 138,943 |

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 2019. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 31 March 2019 and 31 December 2018.

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

As at 31 March 2019, the Company's issued and paid-up capital, excluding treasury shares, comprises 355,197,700 (31 December 2018: 355,197,700) ordinary shares.

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current period reported on.

Not applicable.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any 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 2018.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and effect of, the change.

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

SFRS(I) 16 Leases

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

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

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

6 Earnings Per Ordinary Share

| Earnings per ordinary share of the Group based on net profit attributable to owners of the Company: | Group | | |
|--|-----------------|-----------------|------------|
| | 1Q 2019 | 1Q 2018 | Change (%) |
| (i) Based on the weighted average number of shares (cents) - Weighted average number of shares ('000) | 0.49 355,198 | 1.67 355,198 | (70.7) |
| (ii) On a fully diluted basis (cents) - Adjusted weighted average number of shares ('000) | 0.49 355,198 | 1.67 355,198 | (70.7) |

7 Net Asset Value Per Share

| | Group | | | Company | | |
|--|-----------|-----------|------------|-----------|-----------|------------|
| | 31-Mar-19 | 31-Dec-18 | Change (%) | 31-Mar-19 | 31-Dec-18 | Change (%) |
| Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents) | 40.8 | 40.3 | 1.2 | 45.1 | 45.1 | – |

Note: The net asset value per share have been computed based on 355,197,700 shares as at 31 March 2019 and 31 December 2018.

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

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

| | 1Q 2019 | 1Q 2018 | Change |
|------------------|----------------|---------|--------|
| | \$'000 | \$'000 | (%) |
| Total revenue | 77,405 | 105,227 | (26.4) |
| Cost of services | 67,943 | 92,345 | (26.4) |
| Gross Profit | 9,462 | 12,882 | (26.5) |

1Q2019 vs 1Q2018

Revenue

Revenue from real estate brokerage fees and related services decreased by approximately \$27.5 million or 26.5%, from \$103.7 million in 1Q2018 to \$76.2 million in 1Q2019. This was mainly due to the decrease in brokerage income from:

- a) resale and rental of properties of \$17.4 million or 25.4%, from \$68.4 million in 1Q2018 to \$51.0 million in 1Q2019; and
- b) new home sales of \$10.2 million or 29.9%, from \$34.1 million in 1Q2018 to \$23.9 million in 1Q2019.

Other revenue in 1Q2019 decreased by approximately \$0.3 million from \$1.5 million in 1Q2018 to \$1.2 million in 1Q2019 mainly due to a decrease in income from the annual business conference, bank referral income and rental income.

Cost of services

Cost of services decreased by approximately \$24.4 million or 26.4%, from \$92.3 million in 1Q2018 to \$67.9 million in 1Q2019, in line with the decrease in total revenue.

Gross profit

Gross profit decreased by approximately \$3.4 million or 26.5%, from \$12.9 million in 1Q2018 to \$9.5 million in 1Q2019. This was largely attributed to the decrease in contribution from both the resale and rental of properties, and new home sales amounting to a total of \$3.2 million.

Operating expenses

Personnel cost decreased marginally by approximately \$0.1 million or 1.2%, from \$3.4 million in 1Q2018 to \$3.3 million in 1Q2019.

Marketing and promotion expenses increased by approximately \$0.6 million or 195.3%, from \$0.3 million in 1Q2018 to \$0.9 million in 1Q2019. The increase was mainly due to an increase in marketing activities and incentives in 1Q2019.

Depreciation of plant and equipment remained stable at \$0.1 million in both 1Q2018 and 1Q2019.

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

Amortisation of intangible assets was approximately \$0.23 million in both 1Q2018 and 1Q2019.

Allowance for doubtful debts decreased from approximately \$0.5 million in 1Q2018 to \$0.1 million in 1Q2019 due to an improvement in collections from customers.

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 of approximately \$0.4 million in 1Q2019 comprised mainly interest expense from bank borrowings for the purchase of the new building in September 2018.

Other operating expenses increased by approximately \$0.4 million or 32.3%, from \$1.2 million in 1Q2018 to \$1.6 million in 1Q2019. The increase was due to, among others, operating expenses of a new subsidiary (APAC Investment Pte. Ltd.) of \$0.2 million (1Q2018: Nil) and unrealised foreign exchange loss of \$0.2 million in 1Q2019 (1Q2018: \$7,000).

Overall, total operating expenses increased by approximately \$1.4 million or 25.9%, from \$5.8 million in 1Q2018 to \$7.2 million in 1Q2019.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately \$4.9 million or 68.9%, from \$7.1 million in 1Q2018 to \$2.2 million in 1Q2019.

Tax expense

Tax expense decreased by approximately \$0.7 million or 60.6%, from \$1.2 million in 1Q2018 to \$0.5 million in 1Q2019. The decrease was mainly due to the lower taxable income for 1Q2019.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately \$4.2 million or 70.6%, from \$5.9 million in 1Q2018 to \$1.7 million in 1Q2019.

Financial Position Review

31 March 2019 vs 31 December 2018

Non-current assets

The Group's total non-current assets amounted to approximately \$173.7 million and \$179.7 million as at 31 December 2018 and 31 March 2019 respectively. The increase of approximately \$6.0 million or 3.4% was due to the adoption of SFRS(I) 16 Leases on 1 January 2019 resulting in the recognition of \$6.6 million right-of-use assets partially reduced by the depreciation of \$0.4 million in 1Q2019.

Current assets

Trade receivables amounted to approximately \$52.0 million and \$48.0 million as at 31 December 2018 and 31 March 2019 respectively. The decrease of approximately \$4.0 million or 7.5% was mainly due to lower brokerage revenue invoiced in 1Q2019 as compared to 4Q2018.

Other receivables amounted to approximately \$1.4 million and \$8.9 million as at 31 December 2018 and 31 March 2019 respectively. The increase of approximately \$7.5 million was mainly due to the grant of loans totaling \$7.2 million to PT Realti Jaya Abadi to fund the acquisition of PT ERA Graharealty in 1Q2019.

Recoverables amounted to approximately \$7.9 million and \$6.5 million as at 31 December 2018 and 31 March 2019 respectively. This relates to brokerage fees arising from new home sales where services are deemed rendered but not invoiced yet at the respective dates.

Prepaid operating expenses amounted to approximately \$2.0 million and \$2.4 million as at 31 December 2018 and 31 March 2019 respectively. The increase of \$0.4 million was mainly due to marketing expenses paid in advance in 1Q2019.

Cash and bank balances decreased by approximately \$8.1 million or 18.8%, from \$43.0 million as at 31 December 2018 to \$34.9 million as at 31 March 2019.

As a result of the foregoing, total current assets decreased by approximately \$6.0 million or 5.5%, from \$109.5 million as at 31 December 2018 to \$103.5 million as at 31 March 2019.

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

Financial Position Review (cont'd)

Non-current liabilities

The Group's total non-current liabilities increased from \$58.9 million as at 31 December 2018 to \$62.8 million as at 31 March 2019. The increase of \$3.9 million or 6.6% was mainly due to the recognition of lease liabilities of \$4.6 million partially offset by the repayment of loan and borrowing of \$0.7 million.

Current liabilities

Trade payables and accruals amounted to approximately \$63.5 million and \$57.7 million as at 31 December 2018 and 31 March 2019 respectively. The decrease of approximately \$5.8 million or 9.1% was due to a drop in commission payables which corresponds with the lower billings in 1Q2019 as compared to 4Q2018.

Other payables comprised mainly goods and services tax (GST) payable, deposits and sundry payables which amounted to approximately \$7.8 million and \$6.2 million as at 31 December 2018 and 31 March 2019 respectively. The decrease of approximately \$1.6 million or 21.0% was mainly due to lower GST payable as at 31 March 2019 as a result of lower billings in 1Q2019.

Deferred income amounted to approximately \$1.8 million and \$1.5 million as at 31 December 2018 and 31 March 2019 respectively. The decrease of approximately \$0.3 million or 17.2% was mainly due to the recognition of \$0.2 million of professional indemnity income in 1Q2019.

Lease liabilities of \$1.6 million represent the current portion of the lease obligations as at 31 March 2019.

Provision for taxation amounted to approximately \$5.2 million and \$5.6 million as at 31 December 2018 and 31 March 2019. The increase of approximately \$0.4 million or 9.0% was mainly due to the income tax provided for 1Q219.

As a result of the foregoing, total current liabilities decreased by approximately \$5.7 million or 7.0%, from \$81.2 million as at 31 December 2018 to \$75.5 million as at 31 March 2019.

Equity attributable to the owners of the Company

The equity attributable to the owners of the Company increased by approximately \$1.7 million or 1.2%, from \$143.1 million as at 31 December 2018 to \$144.8 million as at 31 March 2019. The increase was attributed to the profit of \$1.8 million for 1Q2019.

Cash Flow Review

1Q2019 vs 1Q2018

Net cash generated from operating activities was approximately \$1.7 million in 1Q2018 as compared to \$0.4 million in 1Q2019. The decrease of \$1.3 million was mainly due to lower operating profit of \$4.9 million partially offset by a net increase of \$2.6 million in working capital and \$0.9 million lower income taxes paid in 1Q2019 as compared to 1Q2018.

Net cash used in investing activities was approximately \$0.1 million and \$7.4 million in 1Q2018 and 1Q2019 respectively. The increase of \$7.3 million was mainly due to the advance of \$7.2 million extended to PT Realti Jaya Abadi in 1Q2019 by a subsidiary of the Company.

Net cash used in financing activities was \$1.2 million in 1Q2019 due to the repayment of bank loan of \$0.7 million and repayment of lease liabilities of \$0.5 million.

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately \$8.1 million in 1Q2019 as compared to an increase of approximately \$1.6 million in 1Q2018.

Cash and cash equivalents as at 31 March 2019 stood at \$34.9 million.

9 Use of Proceeds Raised From IPO

| Purpose | Balance of Net Proceeds (as announced on 13 February 2019) (S\$'000) | Net Proceeds utilised as at 13 May 2019 (S\$'000) | Balance of Net Proceeds as at 13 May 2019 (S\$'000) |
|--|--|---|---|
| Strengthening and expanding presence in Singapore | – | – | – |
| Expanding range of services and geographical presence in the Asia-Pacific region | 877 | 877 ⁽²⁾ | – |
| Enhancing technological capabilities | 5,000 | – | 5,000 |
| General corporate and working capital purposes | 2,000 | – | 2,000 |
| | <u>7,877</u> | <u>877</u> | <u>7,000</u> |

Note:

- (2) Subsequent to the last announcement made by the Company on 13 February 2019, the Company has utilised a total of \$0.9 million pursuant to a grant of an additional loan disbursed through APAC Investment 2 Pte Ltd to PT Realti Jaya Abadi on 14 March 2019.

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 affected and will continue to 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 increasing in the year 2018 and reached 35,649 (including ECs) as at 31 December 2018 before increasing to 38,710 (including ECs) as at 31 March 2019. The vacancy rate of completed private residential units have come down to 6.3% as at 31 March 2019, coming down from a high of 8.9% as at 30 June 2016.

Apart from the 38,710 unsold units (including ECs) with planning approval as at 31 March 2019, there is a potential supply of 5,200 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 4,700 units from awarded GLS sites and Confirmed List sites that have not been awarded yet, and (b) about 500 units from awarded en-bloc sale sites.

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 2019 as it is not the Company's practice to distribute quarterly dividend.

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 2019 unaudited financial results to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Chua Khee Hak
CEO
13 May 2019

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.