



APAC REALTY LIMITED

Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2017

TABLE OF CONTENTS

PAGE

1 (a) (i)	Consolidated Income Statement	2
1 (a) (ii)	Notes to Consolidated Income Statement	3
1 (a) (iii)	Consolidated Statement of Comprehensive Income	3
1 (b) (i)	Statement of Financial Position	4
1 (b) (ii)	Group Borrowings and Debt Securities	5
1 (c)	Consolidated Statement of Cash Flows	6
1 (d) (i)	Consolidated Statement of Changes in Equity	7
1 (d) (ii)	Share Capital	9
1 (d) (iii)	Total Number of Issued Shares	9
1 (d) (iv)	Treasury Shares	9
2	Audit	9
3	Auditors' Report	9
4	Accounting Policies	9
5	Changes in Accounting Policies	10
6	Earnings Per Ordinary Share	10
7	Net Asset Value Per Share	10
8	Review of Group Performance	11
9	Use of Proceeds Raised from the Initial Public Offering Of Shares ("IPO")	15
10	Variance from Prospect Statement	15
11	Prospects	16
12	Dividend	16
13	Dividend Statement	16
14	Interested Person Transactions ("IPT")	16
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	16
16	Confirmation Pursuant to the Rule 705(5) of the Listing Manual	17

APAC REALTY LIMITED
Company Registration Number: 201319080C

**UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED
30 SEPTEMBER 2017**

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 2017.

1(a)(i) Consolidated Income Statement

	Group					
	3Q 2017	3Q 2016	Change	9M 2017	9M 2016	Change
	\$'000	\$'000	(%)	\$'000	\$'000	(%)
Revenue						
Real estate brokerage fees and related services	103,152	78,751	31.0	263,844	201,599	30.9
Other revenue	2,380	2,226	6.9	7,076	6,302	12.3
Total revenue	105,532	80,977	30.3	270,920	207,901	30.3
Costs and expenses						
Cost of services	91,855	69,547	32.1	232,055	179,444	29.3
Personnel cost	3,794	2,736	38.7	9,167	7,592	20.7
Marketing and promotion expenses	308	183	68.3	708	791	(10.5)
Depreciation of plant and equipment	127	187	(32.1)	381	537	(29.1)
Amortisation of intangible assets	233	233	-	699	699	-
Allowance for doubtful debts provided (trade and non-trade)	541	476	13.7	2,061	1,178	75.0
Finance costs	40	245	(83.7)	266	940	(71.7)
IPO expenses	1,062	-	nm	1,062	-	nm
Other operating expenses	1,024	1,331	(23.1)	3,529	3,910	(9.7)
	98,984	74,938	32.1	249,928	195,091	28.1
Operating profit						
Profit before tax	6,548	6,039	8.4	20,992	12,810	63.9
Income tax expense	1,040	899	15.7	2,968	1,863	59.3
Profit for the period	5,508	5,140	7.2	18,024	10,947	64.6
Profit attributable to:						
Owners of the Company	5,508	5,140	7.2	18,024	10,947	64.6

Nm – Not meaningful

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

	Group			
	3Q 2017	3Q 2016	9M 2017	9M 2016
	\$'000	\$'000	\$'000	\$'000
<u>Included in other revenue</u>				
Interest income	8	7	20	19
<u>Included in other operating expenses</u>				
Loss on disposal of property, plant and equipment	(7)	–	(16)	–
Foreign exchange gain/(loss)	2	–	4	(1)
Bad debts recovered	2	23	11	38
Loan refinancing fee	–	(100)	(100)	(300)
<u>Included in income tax expense</u>				
Over provision of prior years' tax	393	–	901	40
Deferred tax written back	40	134	119	402

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

	Group			
	3Q 2017	3Q 2016	9M 2017	9M 2016
	\$'000	\$'000	\$'000	\$'000
Profit for the period	5,508	5,140	18,024	10,947
Other comprehensive income				
Loss on exchange differences on translation, net of tax	–	–	–	(1)
Other comprehensive income for the period, net of tax	–	–	–	(1)
Total comprehensive income for the period	5,508	5,140	18,024	10,946
Attributable to:				
Owners of the Company	<u>5,508</u>	<u>5,140</u>	<u>18,024</u>	<u>10,946</u>

1(b)(i) Statement of Financial Position

	Group		Company	
	30-Sep-17 \$'000	31-Dec-16 \$'000	30-Sep-17 \$'000	31-Dec-16 \$'000
ASSETS				
Non-current assets				
Plant and equipment	1,189	1,436	–	–
Intangible assets	100,621	101,320	2,871	3,048
Investment in subsidiaries	–	–	117,314	117,314
Investment in joint venture	184	–	–	–
Fixed deposits	400	400	400	400
	102,394	103,156	120,585	120,762
Current assets				
Trade receivables	67,556	47,808	57	48
Other receivables	1,828	1,333	964	444
Amount due from a subsidiary	–	–	40	73
Amount due from a related party	–	24	–	–
Prepaid operating expenses	219	270	73	4
Cash and bank balances	48,125	17,747	28,825	191
	117,728	67,182	29,959	760
Total assets	220,122	170,338	150,544	121,522
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals	74,977	55,643	591	95
Other payables	9,439	6,967	–	–
Amount due to a subsidiary	–	–	17,387	10,794
Deferred income	1,278	1,728	27	–
Loan and borrowing	–	6,000	–	6,000
Provision for taxation	4,711	4,451	95	2
	90,405	74,789	18,100	16,891
Net current assets/(liabilities)	27,323	(7,607)	11,859	(16,131)
Non-current liabilities				
Loan and borrowing	–	12,000	–	12,000
Deferred taxation	4,553	4,672	–	–
	4,553	16,672	–	12,000
Total liabilities	94,958	91,461	18,100	28,891
Net assets	125,164	78,877	132,444	92,631
Equity attributable to owners of the Company				
Share capital	98,963	70,700	98,963	70,700
Foreign currency translation reserve	(1)	(1)	–	–
Accumulated profits	26,202	8,178	33,481	21,931
Total equity	125,164	78,877	132,444	92,631

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

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

As at 30-Sep-17		As at 31-Dec-16	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	-	6,000	-

(b) Amount repayable after one year

As at 30-Sep-17		As at 31-Dec-16	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
-	-	12,000	-

(c) Details of any collaterals

SGD bank loan at floating rate

Pursuant to a facility agreement dated 29 July 2015 entered into between the Company and RHB Bank Berhad, Singapore Branch, the long term loan is secured by way of charge on the shares and bank accounts in all the subsidiaries in Singapore. The loan bears interest ranging from 3.79% to 3.95% (2016: 3.46% to 4.87%) per annum and are repayable by half yearly instalments of \$3 million each in the first 4 years and the balance payable on the final maturity date, 30 June 2020. The commencement date of repayment of the loan is 31 December 2015.

On 31 May 2017, the Group refinanced the remaining loan outstanding due to RHB Bank Berhad Singapore Branch with a short term loan of \$10,000,000 from DBS Bank Ltd. The new loan from DBS Bank Ltd is repayable within one year from 31 May 2017. Existing charges over the shares and bank accounts that were used to secure the loan outstanding have been discharged by RHB Bank Berhad, Singapore Branch. The loan bears interest ranging from 2.31% to 2.50%

On 29 September 2017, the Group fully repaid the loan due to DBS Bank Ltd.

1(c) Consolidated Statement of Cash Flows

	Group			
	3Q 2017	3Q 2016	9M 2017	9M 2016
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	6,548	6,039	20,992	12,810
<u>Adjustments for:</u>				
Allowance for doubtful debts (trade and non-trade)	541	476	2,061	1,178
Bad debts recovered	(2)	(23)	(11)	(38)
Depreciation of plant and equipment	127	187	381	537
Loss on disposal of plant and equipment	7	–	16	–
Amortisation of intangible assets	233	233	699	699
Interest expense	40	245	266	940
Interest income	(8)	(7)	(20)	(19)
Operating cash flows before working capital changes	7,486	7,150	24,384	16,107
<u>Changes in working capital</u>				
Decrease/(increase) in trade and other receivables	1,334	(4,703)	(22,217)	(17,448)
Increase in trade and other payables	134	5,444	21,355	18,370
Cash flows from operations	8,954	7,891	23,522	17,029
Interest income received	8	7	20	19
Interest paid	(40)	(245)	(266)	(940)
Income taxes paid	(1,178)	(679)	(2,828)	(1,618)
Net cash generated from operating activities	7,744	6,974	20,448	14,490
Cash flows from investing activities				
Purchase of plant and equipment	(38)	(81)	(149)	(112)
Investment in joint venture	(150)	–	(184)	–
Net cash used in investing activities	(188)	(81)	(333)	(112)
Cash flows from financing activities				
Proceeds from issue of IPO shares	28,263	–	28,263	–
Proceeds from loan and borrowings	–	–	10,000	–
Repayment of loan and borrowings	(9,165)	(6,000)	(28,000)	(15,000)
Net cash generated from/(used in) financing activities	19,098	(6,000)	10,263	(15,000)
Net increase/(decrease) in cash and cash equivalents	26,654	893	30,378	(622)
Cash and cash equivalents at beginning of the period	21,471	12,701	17,747	14,216
Cash and cash equivalents at end of the period	48,125	13,594	48,125	13,594

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

	Attributable to owners of the Company				
	Share capital	Foreign currency translation reserve	Accumulated profits	Total reserves	Total equity
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 and 1 April 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 and 1 July 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

	Attributable to owners of the Company				
	Share capital	Foreign currency translation reserve	Accumulated profits/(losses)	Total reserves	Total equity
GROUP - 2016	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 January 2016	70,700	–	(7,704)	(7,704)	62,996
Profit for the period	–	–	1,927	1,927	1,927
Other comprehensive income – Foreign currency translation	–	(1)	–	(1)	(1)
Total comprehensive income	–	(1)	1,927	1,926	1,926
As at 31 March and 1 April 2016	70,700	(1)	(5,777)	(5,778)	64,922
Profit for the period	–	–	3,880	3,880	3,880
Total comprehensive income	–	–	3,880	3,880	3,880
As at 30 June and 1 July 2016	70,700	(1)	(1,897)	(1,898)	68,802
Profit for the period	–	–	5,140	5,140	5,140
Total comprehensive income	–	–	5,140	5,140	5,140
As at 30 September 2016	70,700	(1)	3,243	3,242	73,942

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

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 and 1 April 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 and 1 July 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

COMPANY - 2016	Attributable to owners of the Company			
	Share capital \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
As at 1 January 2016	70,700	9,051	9,051	79,751
Profit for the period	–	3,113	3,113	3,113
Total comprehensive income	–	3,113	3,113	3,113
As at 31 March and 1 April 2016	70,700	12,164	12,164	82,864
Profit for the period	–	2,712	2,712	2,712
Total comprehensive income	–	2,712	2,712	2,712
As at 30 June and 1 July 2016	70,700	14,876	14,876	85,576
Profit for the period	–	1,879	1,879	1,879
Total comprehensive income	–	1,879	1,879	1,879
As at 30 September 2016	70,700	16,755	16,755	87,455

- 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.**

Details of changes in our issued and paid-up capital since 31 December 2016 are as follow:

	Group and Company	
	No. of shares	\$
Issued and paid-up shares as at 31 December 2016 and 1 January 2017	70,700,000	70,700,000
Sub-division of 70,700,000 shares into 311,080,000 shares, which was effected on 5 September 2017 (the "Share Split")	240,380,000	–
New shares issued pursuant to the IPO on 28 September 2017	44,117,700	28,263,058
As at 30 September 2017	355,197,700	98,963,058

There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 September 2017 and 31 December 2016.

- 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 2017, the Company's issued and paid-up capital, excluding treasury shares, comprises 355,197,700 (31 December 2016: 70,700,000) 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 2016.

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 following amended FRSs have become effective for annual financial periods beginning on or after 1 January 2017.

- FRS 7 Statement of Cash Flows - Disclosure Initiative
- FRS 12 Income Tax – Recognition of deferred tax assets for unrealised losses

The adoption of the above FRSs (including consequential amendments) does not have any significant impact on the financial statements.

6 Earnings Per Ordinary Share

Earnings per ordinary share of the Group based on net profit/(loss) attributable to owners of the Company:	Group					
	3Q 2017	3Q 2016	Change (%)	9M 2017	9M 2016	Change (%)
(i) Based on the weighted average number of shares (cents)	1.76	1.65	6.7	5.78	3.52	64.2
- Weighted average number of shares ('000)	312,519	311,080		311,565	311,080	
(ii) On a fully diluted basis (cents)	1.76	1.65	6.7	5.78	3.52	64.2
- Adjusted weighted average number of shares ('000)	312,519	311,080		311,565	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 was effected.

7 Net Asset Value Per Share

Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents)	Group			Company		
	30-Sep-17	31-Dec-16	Change (%)	30-Sep-17	31-Dec-16	Change (%)
	35.2	25.4	38.6	37.3	29.8	25.2

Note: The net asset value per share have been computed based on 355,197,700 shares and 311,080,000 shares as at 30 September 2017 and 31 December 2016 respectively.

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.

3Q2017 vs 3Q2016

Revenue

Revenue increased by approximately \$24.5 million or 30.3%, from \$81.0 million in 3Q2016 to \$105.5 million in 3Q2017. This was mainly due to the increase in brokerage income from resale and rental of properties of \$13.6 million or 23.2%, from \$58.7 million in 3Q2016 to \$72.3 million in 3Q2017 and the increase in brokerage income from new home sales of \$10.8 million or 54.0%, from \$20.0 million in 3Q2016 to \$30.8 million in 3Q2017.

The increase in revenue was mainly attributable to the following market factors:

- (i) brokerage income from the resale and rental of properties was higher due to an increase of 21.0% in resale market transactions (3Q2017: 9,838; 3Q2016: 8,129)¹ and an increase of 4.0% in rental market transactions (3Q2017: 33,226; 3Q2016: 31,943)² in Singapore; and
- (ii) brokerage income from new home sales was higher due to an increase of 24.4% in market transactions of private residential properties and executive condominiums in Singapore (3Q2017: 4,202; 3Q2016: 3,379)³.

Other revenue increased by approximately \$0.2 million or 6.9%, from \$2.2 million in 3Q2016 to \$2.4 million in 3Q2017. The increase was mainly due to higher property valuation fees and higher bank referral fees received.

Cost of services

Our cost of services increased by approximately \$22.4 million or 32.1%, from \$69.5 million in 3Q2016 to \$91.9 million in 3Q2017, as a result of the increase in our revenue.

Gross profit

Gross profit increased by approximately \$2.1 million or 19.7%, from \$11.5 million in 3Q2016 to \$13.6 million in 3Q2017. 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 increased by approximately \$1.1 million or 38.7%, from \$2.7 million in 3Q2016 to \$3.8 million in 3Q2017 due to an increase in payroll and staff-related expenses. A special one month bonus was declared in September 2017 for all staff (except senior management) amounting to \$0.4 million.

Marketing and promotion expenses increased by approximately \$0.1 million or 68.3%, from \$0.2 million in 3Q2016 to \$0.3 million in 3Q2017. The increase was mainly due to more marketing activities in 3Q2017.

¹ Information on private secondary transactions in Singapore was obtained from URA REALIS, data accessed on 27 October 2017. Information on HDB resale flats transacted in Singapore was obtained from HDB Resale Statistics, found at <http://www.hdb.gov.sg/cs/infoweb/residential/selling-a-flat/selling-statistics>, as extracted on 27 October 2017.

² Information on private residential leases in Singapore obtained from URA REALIS, data accessed on 27 October 2017. Information on number of HDB leases transacted in Singapore was obtained from HDB Rental Statistics, found at <http://www.hdb.gov.sg/cs/infoweb/residential/renting-a-flat/renting-from-the-open-market/rental-statistics>, as extracted on 27 October 2017.

³ Information on private residential new homes transacted in Singapore obtained from URA REALIS, data assessed on 27 October 2017.

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

Depreciation of plant and equipment decreased marginally by approximately \$0.06 million or 32.1%, from \$0.19 million in 3Q2016 to \$0.13 million in 3Q2017.

Amortisation of intangible assets was approximately \$0.23 million in both 3Q2016 and 3Q2017.

Allowance for doubtful debts increased marginally by approximately \$0.06 million or 13.7%, from \$0.48 million in 3Q2016 to \$0.54 million in 3Q2017.

Finance costs in 3Q2016 and 3Q2017 comprised interest expense from bank borrowings. Finance costs decreased by approximately \$0.21 million or 83.7%, from \$0.25 million in 3Q2016 to \$0.04 million in 3Q2017 due to lower borrowings (as at 30 Sep 2017: Nil; 30 Sep 2016: \$22.0 million). The bank loan was fully repaid on 29 September 2017.

IPO expenses amounted to approximately \$1.9 million, of which approximately \$0.9 million was capitalized against share capital and approximately \$1.1 million was expensed off in 3Q2017.

Other operating expenses decreased by approximately \$0.3 million or 23.1%, from \$1.3 million in 3Q2016 to \$1.0 million in 3Q2017. The decrease was mainly due to lower rental and miscellaneous expenses in 3Q2017, and \$0.1m loan refinancing fee in 3Q2016 (3Q2017: Nil).

Overall, total operating expenses increased by approximately \$1.7 million or 32.2%, from \$5.4 million in 3Q2016 to \$7.1 million in 3Q2017.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately \$0.5 million or 8.4%, from \$6.0 million in 3Q2016 to \$6.5 million in 3Q2017.

Tax expense

Tax expense increased by approximately \$0.1 million or 15.7%, from \$0.9 million in 3Q2016 to \$1.0 million in 3Q2017. 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 \$0.4 million or 7.2%, from \$5.1 million in 3Q2016 to \$5.5 million in 3Q2017.

9M2017 vs 9M2016

Revenue

Revenue increased by approximately \$63.0 million or 30.3%, from \$207.9 million in 9M2016 to \$270.9 million in 9M2017. This was mainly due to the increase in brokerage income from resale and rental of properties of \$33.0 million or 21.5%, from \$153.9 million in 9M2016 to \$186.9 million in 9M2017 and the increase in brokerage income from new home sales of \$29.2 million or 61.3%, from \$47.7 million in 9M2016 to \$76.9 million in 9M2017.

The increase in revenue was mainly attributable to the following market factors:

- (iii) brokerage income from the resale and rental of properties was higher due to an increase of 19.4% in resale market transactions (9M2017: 26,437; 9M2016: 22,138)¹ and an increase of 2.1% in rental market transactions (9M2017: 92,456; 9M2016: 90,591)² in Singapore; and
- (iv) brokerage income from new home sales was higher due to an increase of 37.5% in market transactions of private residential properties and executive condominiums in Singapore (9M2017: 12,267; 9M2016: 8,921)³.

Other revenue

Other revenue increased by approximately \$0.8 million or 12.3%, from \$6.3 million in 9M2016 to \$7.1 million in 9M2017. The increase was mainly due higher business conference income, higher bank referral fees, and the sale of our ERA franchise rights in Vietnam of approximately \$0.4 million.

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).

Cost of services

Our cost of services increased by approximately \$52.7 million or 29.3%, from \$179.4 million in 9M2016 to \$232.1 million in 9M2017, as a result of the increase in our revenue.

Gross profit

Gross profit increased by approximately \$10.4 million or 36.6%, from \$28.5 million in 9M2016 to \$38.9 million in 9M2017. 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 increased by approximately \$1.6 million or 20.7%, from \$7.6 million in 9M2016 to \$9.2 million in 9M2017 due to an increase in payroll and staff-related expenses. A special one month bonus was declared in September 2017 for all staff (except senior management) amounting to \$0.4 million. Our average headcount increased from 135 in 9M2016 to 138 in 9M2017.

Marketing and promotion expenses decreased by approximately \$0.1 million or 10.5%, from \$0.8 million in 9M2016 to \$0.7 million in 9M2017.

Depreciation of plant and equipment decreased by \$0.1 million or 29.1%, from \$0.5 million in 9M2016 to \$0.4 million in 9M2017 as there were no major capital expenditure in 9M2017.

Amortisation of intangible assets was approximately \$0.7 million in both 9M2016 and 9M2017.

Allowance for doubtful debts increased by approximately \$0.9 million or 75.0%, from \$1.2 million in 9M2016 to \$2.1 million in 9M2017. The increase was mainly due to higher allowance for doubtful debts in 1Q2017. The provision for doubtful debts is based on the age of trade receivables, as follows: (a) 25% of the trade receivables outstanding for more than three months but less than six months, (b) 50% of the trade receivables outstanding for more than six months but less than nine months and (c) full provision for trade receivables outstanding for more than nine months.

Finance costs in 9M2016 and 9M2017 comprised interest expense from bank borrowings. Finance costs decreased by approximately \$0.6 million or 71.7%, from \$0.9 million in 9M2016 to \$0.3 million in 9M2017 due to lower borrowings (as at 30 Sep 2017: Nil; 30 Sep 2016: \$22.0 million). The bank loan was fully repaid on 29 September 2017.

IPO expenses of approximately \$1.1 million were expensed off in 9M2017.

Other operating expenses decreased by approximately \$0.4 million or 9.7%, from \$3.9 million in 9M2016 to \$3.5 million in 9M2017. The decrease was mainly due to lower rental expenses and lower loan refinancing fee of \$0.2 million in 9M2017.

Overall, total operating expenses increased by approximately \$2.3 million or 14.2%, from \$15.6 million in 9M2016 to \$17.9 million in 9M2017.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately \$8.2 million or 63.9%, from \$12.8 million in 9M2016 to \$21.0 million in 9M2017.

Tax expense

Tax expense increased by approximately \$1.1 million or 59.3%, from \$1.9 million in 9M2016 to \$3.0 million in 9M2017. 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 \$7.1 million or 64.6%, from \$10.9 million in 9M2016 to \$18.0 million in 9M2017.

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

Financial Position Review

Non-current assets

The Group's total non-current assets amounted to approximately \$103.2 million and \$102.4 million as at 31 December 2016 and 30 September 2017 respectively. The decrease of approximately \$0.8 million or 0.7% was due to amortisation of intangible assets of \$0.7 million and depreciation of \$0.4 million in 9M2017, offset partially by an investment of \$0.2 million in a joint venture and purchase of plant and equipment of \$0.1 million in 9M2017.

Current assets

Trade receivables amounted to approximately \$47.8 million and \$67.6 million as at 31 December 2016 and 30 September 2017 respectively. The increase of approximately \$19.8 million or 41.3% was mainly due to higher billings in 3Q2017 as compared to 4Q2016.

Cash and bank balances amounted to approximately \$17.7 million and \$48.1 million as at 31 December 2016 and 30 September 2017. The increase of approximately \$30.4 million or 171.2% was mainly due to the proceeds received from the issue of the IPO shares of \$28.3 million in 3Q2017.

As a result of the foregoing, total current assets increased by approximately \$50.5 million or 75.2%, from \$67.2 million as at 31 December 2016 to \$117.7 million as at 30 September 2017.

Non-current liabilities

The Group's total non-current liabilities decreased by approximately \$12.1 million or 72.7%, from \$16.7 million as at 31 December 2016 to \$4.6 million as at 30 September 2017 due to the full repayment of bank loan on 29 September 017.

Current liabilities

Trade payables and accruals amounted to approximately \$55.6 million and \$75.0 million as at 31 December 2016 and 30 September 2017 respectively. The increase of approximately \$19.4 million or 34.7% was in line with the increase in trade receivables at the corresponding dates.

Other payables comprised mainly goods and services tax payable, deposits and sundry payables which amounted to approximately \$7.0 million and \$9.4 million as at 31 December 2016 and 30 September 2017 respectively. The increase of approximately \$2.4 million or 35.5% was mainly due to higher billings in 3Q2017 as compared to 4Q2016 which resulted in a higher goods and services tax payable as at 30 September 2017.

Current portion of bank loan amounted to \$6.0 million as at 31 December 2016 (Nil as at 30 September 2017). The bank loan was fully repaid on 29 September 2017.

Provision for taxation amounted to approximately \$4.5 million and \$4.7 million as at 31 December 2016 and 30 September 2017. The increase of approximately \$0.2 million or 5.8% was mainly due to the provision of income tax of \$3.0 million for 9M2017 offset by income taxes of \$2.8 million paid in 9M2017.

As a result of the foregoing, total current liabilities increased by approximately \$15.6 million or 20.9%, from \$74.8 million as at 31 December 2016 to \$90.4 million as at 30 September 2017.

Equity attributable to the owners of the Company

The equity attributable to the owners of the Company increased by approximately \$46.3 million or 58.7%, from \$78.9 million as at 31 December 2016 to \$125.2 million as at 30 September 2017. The increase was attributable to the issue of the IPO shares of \$28.3 million in 3Q2017 and the profit for 9M2017 of \$18.0 million.

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

Cash Flow Review

3Q2017 vs 3Q2016

Net cash generated from operating activities was approximately \$7.0 million in 3Q2016 as compared to approximately \$7.8 million in 3Q2017. The increase was mainly due to the higher profit of \$0.5 million for 3Q2017 as compared to 3Q2016.

Net cash used in investing activities was approximately \$0.08 million in 3Q2016 as compared to approximately \$0.19 million in 3Q2017. The increase is mainly due to the investment in a joint venture of \$0.15 million in 3Q2017.

Net cash generated from financing activities was approximately \$19.1 million in 3Q2017 due to the issue of the IPO shares of \$28.3 million in 3Q2017 offset by repayment of loan of \$9.2 million in 3Q2017. In 3Q2016, net cash used in financing activities was \$6.0 million for repayment of loan.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately \$26.7 million for 3Q2017 as compared to approximately \$0.9 million for 3Q2016.

9M2017 vs 9M2016

Net cash generated from operating activities was approximately \$14.5 million in 9M2016 as compared to approximately \$20.4 million in 9M2017. The increase was mainly due to the higher profit of \$8.2 million for 9M2017 as compared to 9M2016.

Net cash used in investing activities was approximately \$0.1 million in 9M2016 as compared to approximately \$0.3 million in 9M2017. The increase is mainly due to the investment in a joint venture of \$0.2 million in 9M2017.

Net cash generated from financing activities was approximately \$10.3 million in 9M2017 due to the issue of the IPO shares of \$28.3 million in 3Q2017 offset by net repayment of loans of \$18.0 million in 9M2017. In 9M2016, net cash used in financing activities was \$15.0 million for repayment of loan.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately \$30.4 million for 9M2017 as compared to a decrease of approximately \$0.6 million in 9M2016.

Cash and cash equivalents stood at \$48.1 million as at 30 September 2017.

9 Use of Proceeds Raised From IPO

Pursuant to the Company's IPO, the Company received net proceeds of approximately \$27.2 million after deducting expenses amounting to \$1.9 million, of which approximately \$0.9 million was capitalized against share capital and approximately \$1.1 million was expensed off in the quarter ended 30 September 2017. The net proceeds raised from the IPO has not been utilised as at 30 September 2017.

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 likely to continue to be active as the underlying demand for residential properties remains 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 have been declining for the past 2 years and reached 17,178 (including ECs) as at 30 September 2017. However, the vacancy rate of completed private residential units remains high at 8.4% as at 30 September 2017.

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 redevelopments of en-bloc sales (9,300) and available parcels on Government land sales (7,400) could add up to 16,700. According to URA, a large part of this potential supply could be put up for sale in the next one to two years.

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 for interim dividend

Not applicable.

(d) Books closure date for interim dividend

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 2017.

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 2017 unaudited financial results to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Chua Khee Hak
CEO
9 November 2017

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.