



APAC REALTY LIMITED

Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

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APAC REALTY LIMITED**Company Registration Number: 201319080C****UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED
30 SEPTEMBER 2019**

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 2019.

1(a)(i) Consolidated Income Statement

	Group					
	3Q 2019	3Q 2018	Change	9M 2019	9M 2018	Change
	\$'000	\$'000	%	\$'000	\$'000	%
Real estate brokerage fees and related services	97,771	114,061	(14.3)	258,766	338,974	(23.7)
Other revenue	846	778	8.7	2,912	3,126	(6.8)
Total Revenue	98,617	114,839	(14.1)	261,678	342,100	(23.5)
Cost of services	87,395	100,078	(12.7)	230,478	300,495	(23.3)
Personnel cost	3,466	3,173	9.2	9,311	8,881	4.8
Marketing and promotion expenses	843	195	332.3	2,474	837	195.6
Depreciation of plant and equipment	153	127	20.5	415	374	11.0
Depreciation of right-of-use assets	399	–	nm	1,197	–	nm
Amortisation of intangible assets	233	233	–	699	699	–
Allowance for doubtful debt provided - trade	362	1,248	(71.0)	1,116	1,807	(38.2)
- non-trade	–	–	–	54	250	(78.4)
Finance costs	452	82	451.2	1,351	82	1547.6
Other operating expenses	1,243	1,605	(22.6)	4,260	4,195	1.5
Total operating expenses	7,151	6,663	7.3	20,877	17,125	21.9
Costs and Expenses	94,546	106,741	(11.4)	251,355	317,620	(20.9)
Profit before tax	4,071	8,098	(49.7)	10,323	24,480	(57.8)
Income tax expense	652	1,555	(58.1)	1,865	4,327	(56.9)
Profit for the period	3,419	6,543	(47.7)	8,458	20,153	(58.0)
Profit attributable to:						
Owners of the Company	3,452	6,543	(47.2)	8,556	20,153	(57.5)
Non controlling interests ("NCI")	(33)	–	nm	(98)	–	nm
	3,419	6,543	(47.7)	8,458	20,153	(58.0)

nm – not meaningful

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

	Group			
	3Q 2019	3Q 2018	9M 2019	9M 2018
	\$'000	\$'000	\$'000	\$'000
<u>Included in other revenue</u>				
Interest income	170	70	486	197
Investment in joint venture written back	–	–	17	–
Bad debts recovered	–	–	22	11
<u>Included in other operating expenses</u>				
Foreign exchange (gain), net	(211)	(8)	(124)	(14)
Plant and equipment written off	–	–	20	–
Rental expense	97	609	368	1,877
Loan facility/refinancing fee	–	10	–	10
<u>Included in income tax expense</u>				
(Under)/Over provision of prior years' tax	(2)	(87)	1	(87)
Deferred tax (provided)/written back	(15)	40	65	119
<u>Reconciliation</u>				
Rental expense	97	609	368	1,877
Interest on lease liabilities (included in finance costs)	61	–	195	–
Depreciation of right-of-use assets	399	–	1,197	–
	<u>557</u>	<u>609</u>	<u>1,760</u>	<u>1,877</u>

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

	Group			
	3Q 2019	3Q 2018	9M 2019	9M 2018
	\$'000	\$'000	\$'000	\$'000
Profit for the period	3,419	6,543	8,458	20,153
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation	–	(5)	1	(5)
Other comprehensive income for the period, net of tax	–	(5)	1	(5)
Total comprehensive income for the period	<u>3,419</u>	<u>6,538</u>	<u>8,459</u>	<u>20,148</u>
Attributable to:				
Owners of the Company	3,452	6,538	8,557	20,148
Non controlling interests	(33)	–	(98)	–
	<u>3,419</u>	<u>6,538</u>	<u>8,459</u>	<u>20,148</u>

1(b)(i) Statement of Financial Position

	Group		Company	
	30-Sep-19 \$'000	31-Dec-18 \$'000	30-Sep-19 \$'000	31-Dec-18 \$'000
ASSETS				
Non-current assets				
Investment property	72,800	72,800	–	–
Plant and equipment	1,381	1,076	–	–
Right-of-use assets	5,452	–	–	–
Intangible assets	98,756	99,455	2,398	2,575
Investment in subsidiaries	–	–	190,153	190,111
Other investment	1,009	9	1,000	–
Fixed deposits	400	400	400	400
	<u>179,798</u>	<u>173,740</u>	<u>193,951</u>	<u>193,086</u>
Current assets				
Convertible loan	2,794	2,794	–	–
Trade receivables	50,138	51,966	72	60
Other receivables	11,465	1,395	552	547
Unbilled receivables	10,083	7,943	–	–
Amount due from subsidiaries	–	–	12,764	3,078
Amount due from a joint venture	45	309	–	–
Tax recoverable	21	–	21	–
Prepaid operating expenses	791	2,038	–	12
Cash and bank balances	27,037	43,019	3,853	23,008
	<u>102,374</u>	<u>109,464</u>	<u>17,262</u>	<u>26,705</u>
Total assets	<u>282,172</u>	<u>283,204</u>	<u>211,213</u>	<u>219,791</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals	63,789	63,452	313	330
Other payables	9,759	7,829	3	–
Amount due to subsidiaries	–	–	54,576	59,329
Deferred income	1,471	1,840	–	–
Lease liabilities	1,662	–	–	–
Loan and borrowing	2,900	2,900	–	–
Provision for taxation	2,098	5,172	–	8
	<u>81,679</u>	<u>81,193</u>	<u>54,892</u>	<u>59,667</u>
Net current assets/(liabilities)	20,695	28,271	(37,630)	(32,962)
Non-current liabilities				
Lease liabilities	3,785	–	–	–
Loan and borrowing	52,442	54,617	–	–
Deferred taxation	4,225	4,290	–	–
	<u>60,452</u>	<u>58,907</u>	<u>–</u>	<u>–</u>
Net assets	<u>140,041</u>	<u>143,104</u>	<u>156,321</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	(2)	(3)	–	–
Accumulated profits	41,130	44,118	57,375	61,178
	<u>140,074</u>	<u>143,061</u>	<u>156,321</u>	<u>160,124</u>
Non-controlling interests	(33)	43	–	–
Total equity	<u>140,041</u>	<u>143,104</u>	<u>156,321</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 30-Sep-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 30-Sep-19		As at 31-Dec-18	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
52,442	–	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			
	3Q 2019	3Q 2018	9M 2019	9M 2018
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	4,071	8,098	10,323	24,480
<u>Adjustments for:</u>				
Allowance for doubtful debts (trade and non-trade)	362	1,248	1,170	2,057
Amortisation of intangible assets	233	233	699	699
Bad debts recovered	–	–	(22)	(11)
Depreciation of plant and equipment	153	127	415	374
Depreciation of right-of-use assets	399	–	1,197	–
Interest expense	452	82	1,351	82
Interest income	(170)	(70)	(486)	(197)
Plant and equipment written off	–	–	20	–
Write back of investment in joint venture	–	–	(17)	–
Operating cash flows before working capital changes	5,500	9,718	14,650	27,484
<u>Changes in working capital</u>				
(Increase)/decrease in trade and other receivables	(1,123)	2,972	(581)	(5,820)
Increase in trade and other payables	5,762	668	1,899	1,018
Cash flows from operations	10,139	13,358	15,968	22,682
Interest income received	170	70	486	197
Interest paid	(391)	(82)	(1,156)	(82)
Income taxes paid	(2,450)	(1,331)	(5,004)	(3,754)
Net cash generated from operating activities	7,468	12,015	10,294	19,043
Cash flows from investing activities				
Acquisition of investment property	–	(72,800)	–	(72,800)
Advance extended to joint venture	(45)	(150)	(105)	(350)
Advance extended to PT Realti Jaya Abadi	–	–	(9,354)	–
Proceeds from disposal of plant and equipment	–	–	–	1
Proceeds received from shares issued to non-controlling interests	–	–	22	–
Purchase of investment - others	(1,000)	(56)	(1,000)	(56)
Purchase of plant and equipment	(377)	(25)	(741)	(67)
Net cash used in investing activities	(1,422)	(73,031)	(11,178)	(73,272)
Cash flows from financing activities				
Payment of dividends	(2,664)	(7,104)	(11,544)	(14,208)
Proceeds from loan and borrowings	–	58,000	–	58,000
Proceeds from partial disposal of interests in joint venture	–	–	17	–
Repayment of lease liabilities	(465)	–	(1,396)	–
Repayment of loan and borrowings	(725)	–	(2,175)	–
Net cash (used in)/generated from financing activities	(3,854)	50,896	(15,098)	43,792
Net increase/(decrease) in cash and cash equivalents	2,192	(10,120)	(15,982)	(10,437)
Cash and cash equivalents at beginning of the period	24,845	61,654	43,019	61,971
Cash and cash equivalents at end of the period	27,037	51,534	27,037	51,534

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
Profit/(loss) for the period	–	–	3,327	3,327	(30)	3,297
Other comprehensive income - Foreign currency translation	–	11	–	11	–	11
Total comprehensive income	–	11	3,327	3,338	(30)	3,308
Dividend paid	–	–	(8,880)	(8,880)	–	(8,880)
As at 30 June 2019	98,946	(2)	40,342	139,286	–	139,286
Profit/(loss) for the period	–	–	3,452	3,452	(33)	3,419
Total comprehensive income	–	–	3,452	3,452	(33)	3,419
Dividend paid	–	–	(2,664)	(2,664)	–	(2,664)
As at 30 September 2019	98,946	(2)	41,130	140,074	(33)	140,041

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

	Attributable to owners of the Company				
	Share capital \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
GROUP - 2018					
As at 1 January 2018	98,946	(1)	34,081	34,080	133,026
Profit for the period	–	–	5,917	5,917	5,917
Total comprehensive income	–	–	5,917	5,917	5,917
As at 31 March 2018	98,946	(1)	39,998	39,997	138,943
Profit for the period	–	–	7,693	7,693	7,693
Total comprehensive income	–	–	7,693	7,693	7,693
Dividend paid	–	–	(7,104)	(7,104)	(7,104)
As at 30 June 2018	98,946	(1)	40,587	40,586	139,532
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

- 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 3Q2019. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 September 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 30 September 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					
	3Q 2019	3Q 2018	Change %	9M 2019	9M 2018	Change %
(i) Based on the weighted average number of shares (cents)	0.96	1.84	(47.8)	2.38	5.67	(58.0)
- Weighted average number of shares (‘000)	355,198	355,198		355,198	355,198	
(ii) On a fully diluted basis (cents)	0.96	1.84	(47.8)	2.38	5.67	(58.0)
- Adjusted weighted average number of shares (‘000)	355,198	355,198		355,198	355,198	

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-19	31-Dec-18	Change %	30-Sep-19	31-Dec-18	Change %
	39.4	40.3	(2.2)	44.0	45.1	(2.4)

Note: The net asset value per share have been computed based on 355,197,700 shares as at 30 September 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.

3Q2019 vs 3Q2018

	3Q 2019	3Q 2018	Change
	\$'000	\$'000	%
Total revenue	98,617	114,839	(14.1)
Cost of services	87,395	100,078	(12.7)
Gross Profit	11,222	14,761	(24.0)

Revenue

Revenue from real estate brokerage fees and related services decreased by approximately \$16.3 million or 14.3%, from \$114.1 million in 3Q2018 to \$97.8 million in 3Q2019. This was mainly due to the decrease in brokerage income from:

- (a) resale and rental of properties of \$9.2 million or 12.0%, from \$76.5 million in 3Q2018 to \$67.3 million in 3Q2019; and
- (b) new home sales of \$7.4 million or 20.6%, from \$36.0 million in 3Q2018 to \$28.6 million in 3Q2019.

Other revenue was approximately \$0.8 million for both 3Q2019 and 3Q2018.

Cost of services

Cost of services decreased by approximately \$12.7 million or 12.7%, from \$100.1 million in 3Q2018 to \$87.4 million in 3Q2019, in line with the decrease in total revenue.

Gross profit

Gross profit decreased by approximately \$3.6 million or 24.0%, from 14.8 million in 3Q2018 to \$11.2 million in 3Q2019. 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 \$4.0 million.

Operating expenses

Personnel cost increased by approximately \$0.3 million or 9.3%, from \$3.2 million in 3Q2018 to \$3.5 million in 3Q2019 mainly due to the inclusion of staff cost of \$0.1 million of a new subsidiary in Thailand and higher staff headcount in Singapore (30/9/19: 160; 30/9/18: 150).

Marketing and promotion expenses increased by approximately \$0.6 million or 332.3%, from \$0.2 million in 3Q2018 to \$0.8 million in 3Q2019. The increase was mainly due to more marketing activities and incentives given out in 3Q2019.

Depreciation of plant and equipment was approximately \$0.2 million and \$0.1 million for 3Q2019 and 3Q2018 respectively.

Depreciation of right-of-use assets was \$0.4 million in 3Q2019 following the adoption of SFRS(I) 16 Leases on 1 January 2019.

Amortisation of intangible assets was approximately \$0.2 million in both 3Q2019 and 3Q2018.

Allowance for doubtful debts decreased by approximately \$0.8 million or 71.0%, from \$1.2 million in 3Q2018 to \$0.4 million in 3Q2019. The lower provision was the result of better debt collections in 3Q2019.

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 increased by \$0.4 million or 451.2% from \$0.1 million in 3Q2018 to \$0.5 million in 3Q2019 due to interest expense from bank borrowings for three months in 3Q2019 as compared to less than one month in 3Q2018 when the new building was purchased in September 2018.

Other operating expenses decreased by approximately \$0.4 million or 22.6%, from \$1.6 million in 3Q2018 to \$1.2 million in 3Q2019. The decrease was mainly due to rental expenses of long-term leases of \$0.4 million being reclassified as depreciation of right-of-use assets.

Overall, total operating expenses increased by approximately \$0.5 million or 7.3%, from \$6.7 million in 3Q2018 to \$7.2 million in 3Q2019.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately \$4.0 million or 49.7%, from \$8.1 million in 3Q2018 to \$4.1 million in 3Q2019.

Tax expense

Tax expense decreased by approximately \$0.9 million or 58.1%, from \$1.6 million in 3Q2018 to \$0.7 million in 3Q2019. The decrease was mainly due to the lower taxable income for 3Q2019.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately \$3.1 million or 47.7%, from \$6.5 million in 3Q2018 to \$3.4 million in 3Q2019.

9M2019 vs 9M2018

	9M 2019	9M 2018	Change
	\$'000	\$'000	%
Total revenue	261,678	342,100	(23.5)
Cost of services	230,478	300,495	(23.3)
Gross Profit	31,200	41,605	(25.0)

Revenue

Revenue from real estate brokerage fees and related services decreased by approximately \$80.2 million or 23.7%, from \$339.0 million in 9M2018 to \$258.8 million in 9M2019. This was mainly due to the decrease in brokerage income from:

- (a) resale and rental of properties of \$51.6 million or 22.4%, from \$230.4 million in 9M2018 to \$178.8 million in 9M2019; and
- (c) new home sales of \$28.9 million or 27.7%, from \$104.5 million in 9M2018 to \$75.6 million in 9M2019.

Other revenue decreased by approximately \$0.2 million or 6.8%, from \$3.1 million in 9M2018 to \$2.9 million in 9M2019 mainly due to lower annual business conference income and bank referral income.

Cost of services

Cost of services decreased by approximately \$70.0 million or 23.3%, from \$300.5 million in 9M2018 to \$230.5 million in 9M2019, in line with the decrease in total revenue.

Gross profit

Gross profit decreased by approximately \$10.4 million or 25.0%, from \$41.6 million in 9M2018 to \$31.2 million in 9M2019. 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 \$10.5 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).**

Operating expenses

Personnel cost increased by approximately \$0.4 million or 4.8%, from \$8.9 million in 9M2018 to \$9.3 million in 9M2019 mainly due to the inclusion of staff cost of \$0.3 million of a new subsidiary in Thailand.

Marketing and promotion expenses increased by approximately \$1.7 million or 195.6%, from \$0.8 million in 9M2018 to \$2.5 million in 9M2019. The increase was mainly due to more marketing activities and incentives given out in 9M2019.

Depreciation of plant and equipment was approximately \$0.4 million in both 9M2019 and 9M2018.

Depreciation of right-of-use assets was \$1.2 million in 9M2019 following the adoption of SFRS(I) 16 Leases on 1 January 2019.

Amortisation of intangible assets was approximately \$0.7 million in both 9M2019 and 9M2018.

Allowance for doubtful debts decreased by approximately \$0.9 million or 43.1%, from \$2.1 million in 9M2018 to \$1.2 million in 9M2019. The lower provision was the result of better debt collections in 3Q2019.

Finance costs increased by \$1.3 million from \$0.1 million in 9M2018 to \$1.4 million in 9M2019 due to interest expense from bank borrowings for nine months in 9M2019 as compared to less than one month in 9M2018 when the new building was purchased in September 2018.

Other operating expenses increased by approximately \$0.1 million or 1.5%, from \$4.2 million in 9M2018 to \$4.3 million in 9M2019. The increase was due to, among others, operating expenses of the new subsidiary in Thailand.

Overall, total operating expenses increased by approximately \$3.8 million or 21.9%, from \$17.1 million in 9M2018 to \$20.9 million in 9M2019.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately \$14.2 million or 57.8%, from \$24.5 million in 9M2018 to \$10.3 million in 9M2019.

Tax expense

Tax expense decreased by approximately \$2.4 million or 56.9%, from \$4.3 million in 9M2018 to \$1.9 million in 9M2019. The decrease was mainly due to the lower taxable income in 9M2019.

Profit for the period

As a result of the foregoing, profit for the period decreased by approximately \$11.7 million or 58.0%, from \$20.2 million in 9M2018 to \$8.5 million in 9M2019.

- 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 2019 vs 31 December 2018

Non-current assets

The Group's total non-current assets amounted to approximately \$173.7 million and \$179.8 million as at 31 December 2018 and 30 September 2019 respectively. The increase of approximately \$6.1 million or 3.5% 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 depreciation of \$1.2 million in 9M2019.

Current assets

Trade receivables amounted to approximately \$52.0 million and \$50.1 million as at 31 December 2018 and 30 September 2019 respectively. The decrease of approximately \$1.9 million or 3.5% was mainly due better debt collections in 3Q2019.

Other receivables amounted to approximately \$1.4 million and \$11.5 million as at 31 December 2018 and 30 September 2019 respectively. The increase of approximately \$10.1 million was mainly due to the grant of loans of \$9.4 million to PT Realti Jaya Abadi in 9M2019 to fund the acquisition of PT ERA Graharealty.

Unbilled receivables amounted to approximately \$7.9 million and \$10.1 million as at 31 December 2018 and 30 September 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 \$0.8 million as at 31 December 2018 and 30 September 2019 respectively. The decrease was mainly due to the recognition as expenses in 9M2019.

Cash and bank balances decreased by approximately \$16.0 million or 37.2%, from \$43.0 million as at 31 December 2018 to \$27.0 million as at 30 September 2019 mainly due to dividend payment of \$11.5 million and the repayment of bank loan of \$2.2 million in 9M2019.

As a result of the foregoing, total current assets decreased by approximately \$7.1 million or 6.5%, from \$109.5 million as at 31 December 2018 to \$102.4 million as at 30 September 2019.

Non-current liabilities

The Group's total non-current liabilities increased from \$58.9 million as at 31 December 2018 to \$60.5 million as at 30 September 2019. The increase of \$1.6 million or 2.6% was mainly due to the recognition of lease liabilities of \$3.8 million partially offset by the repayment of bank loan of \$2.2 million in 9M2019.

Current liabilities

Trade payables and accruals increased marginally by \$0.3 million or 0.5% from \$63.5 million as at 31 December 2018 to \$63.8 million as at 30 September 2019.

Other payables comprised mainly goods and services tax (GST) payable, deposits and sundry payables which amounted to approximately \$7.8 million and \$9.8 million as at 31 December 2018 and 30 September 2019 respectively. The increase of approximately \$2.0 million or 24.7% was mainly due to advance collections of CEA fees and other receipts.

Deferred income amounted to approximately \$1.8 million and \$1.5 million as at 31 December 2018 and 30 September 2019 respectively. The decrease of approximately \$0.3 million or 20.1% was mainly due to the recognition of professional indemnity income in 9M2019.

Lease liabilities of \$1.7 million represent the current portion of the lease obligations as at 30 September 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).**

Current liabilities (cont'd)

Provision for taxation amounted to approximately \$5.2 million and \$2.1 million as at 31 December 2018 and 30 September 2019 respectively. The decrease of approximately \$3.1 million or 59.4% was mainly due to lower income tax provided for 9M2019 as a result of lower taxable income.

As a result of the foregoing, total current liabilities increased by approximately \$0.5 million or 0.6%, from \$81.2 million as at 31 December 2018 to \$81.7 million as at 30 September 2019.

Equity attributable to the owners of the Company

The equity attributable to the owners of the Company decreased by approximately \$3.1 million or 2.1%, from \$143.1 million as at 31 December 2018 to \$140.0 million as at 30 September 2019. The decrease was mainly attributed to the dividend payment of \$11.5 million partially offset by profit of \$8.5 million for 9M2019.

Cash Flow Review

3Q2019 vs 3Q2018

Net cash generated from operating activities was approximately \$12.0 million in 3Q2018 as compared to approximately \$7.5 million in 3Q2019. The decrease of \$4.5 million was mainly due to the lower operating profit of \$4.0 million in 3Q2019.

Net cash used in investing activities was approximately \$73.0 million in 3Q2018 as compared to approximately \$1.4 million in 3Q2019. The decrease of \$71.6 million was mainly due to the acquisition of an investment property of \$72.8 million in 3Q2018 partially offset by the investment of \$1.0 million in Dots Connected Pte. Ltd. in 3Q2019.

Net cash used in financing activities was approximately \$3.9 million in 3Q2019 as compared to net cash generated from financing activities of approximately \$50.9 million in 3Q2018. In 3Q2019, there were repayment of bank loan of \$0.7 million, repayment of lease liabilities of \$0.5 million and payment of dividends of \$2.7 million. In 3Q2018, the bank loan proceeds of \$58.0 million was partially offset by \$7.1 million of dividend payment.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately \$2.2 million for 3Q2019 as compared to a decrease of approximately \$10.1 million for 3Q2018.

9M2019 vs 9M2018

Net cash generated from operating activities was approximately \$19.0 million in 9M2018 as compared to approximately \$10.3 million in 9M2019. The decrease of approximately \$8.7 million was mainly due to lower operating profit of \$14.2 million partially offset by an increase in working capital of \$6.1 million.

Net cash used in investing activities was approximately \$73.3 million in 9M2018 as compared to approximately \$11.2 million in 9M2019. The decrease of \$62.1 million was mainly due to the acquisition of an investment property of \$72.8 million in 9M2018 partially offset by the advance of \$9.4 million extended to PT Realti Jaya Abadi and investment of \$1.0 million in Dots Connected Pte. Ltd. in 9M2019.

Net cash used in financing activities was approximately \$15.1 million in 9M2019 as compared to net cash generated from financing activities of approximately \$43.8 million in 9M2018. In 9M2019, there were repayment of bank loan of \$2.2 million, repayment of lease liabilities of \$1.4 million and payment of dividends of \$11.5 million. In 9M2018, the bank loan proceeds of \$58.0 million was partially offset by \$14.2 million of dividend payment.

- 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).**

9M2019 vs 9M2018 (cont’d)

As a result of the foregoing, there was a net decrease in cash and cash equivalents of approximately \$16.0 million in 9M2019 as compared to an decrease of approximately \$10.4 million in 9M2018.

Cash and cash equivalents stood at \$27.0 million as at 30 September 2019.

9 Use of Proceeds Raised From IPO

Subsequent to the last announcement on 4 July 2019, no further utilisation was made by the Company. The balance of the Net Proceeds stands at \$6.0 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 property market bore the brunt of the July 2018 property cooling measures in 2H FY2018. Although the market started to show signs of improvements over the first nine months of FY2019, the pace of recovery has been relatively slow and confined to specific sectors of the market. The primary market and HDB resale market have seen increased activity, however, the private residential resale market continues to remain soft given the prevailing cooling measures. In addition to improving our competitive edge in the Singapore market, the Company will seek to mitigate individual country volatility and enhance brokerage income stability by focusing on its regional expansion plans and growing its Asia Pacific business, especially in markets such as Indonesia and Thailand.

The total number of unsold private residential units have been increasing in the year 2018 and reached 38,710 (including ECs) as at 31 March 2019 before coming down to 34,089 as at 30 September 2019. The vacancy rate of completed private residential units continues to trend downwards and reached 6.1% as at 30 September 2019, coming down from a high of 8.9% as at 30 June 2016.

Apart from the 34,089¹ unsold units (including ECs) with planning approval as at 30 September 2019, there is a potential supply of 4,900 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 4,400 units from awarded GLS sites and Confirmed List sites that have not been awarded yet, and (b) about 500 units from transacted en-bloc sale sites.

¹ “Release of 3rd Quarter 2019 real estate statistics”, URA, 25 October 2019

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

BY ORDER OF THE BOARD

Chua Khee Hak
Chairman and CEO
13 November 2019