



APAC REALTY LIMITED
Company Registration Number: 201319080C

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2017

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APAC REALTY LIMITED

Company Registration Number: 201319080C

**UNAUDITED RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED
31 DECEMBER 2017**

The Board of Directors of APAC Realty Limited wishes to announce the following unaudited results of the Group for the fourth quarter and full year ended 31 December 2017.

1(a)(i) Consolidated Income Statement

	Group					
	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
	\$'000	\$'000	(%)	\$'000	\$'000	(%)
Real estate brokerage fees and related services	128,717	78,761	63.4	396,951	284,368	39.6
Other revenue	1,001	1,087	(7.9)	3,687	3,381	9.1
Total Revenue	129,718	79,848	62.5	400,638	287,749	39.2
Cost of services	113,714	68,450	66.1	345,769	247,894	39.5
Personnel cost	4,591	3,215	42.8	13,758	10,807	27.3
Marketing and promotion expenses	391	461	(15.2)	1,099	1,252	(12.2)
Depreciation of plant and equipment	131	155	(15.5)	512	692	(26.0)
Amortisation of intangible assets	233	233	-	932	932	-
Allowance for doubtful debts provided/(written back) - trade and non-trade	570	(82)	nm	2,631	1,096	140.1
Finance costs	-	182	nm	266	1,122	(76.3)
IPO expenses	119	-	nm	1,181	-	nm
Other operating expenses	1,529	1,965	(22.2)	5,058	5,875	(13.9)
Total operating expenses	7,564	6,129	23.4	25,437	21,776	16.8
Costs and Expenses	121,278	74,579	62.6	371,206	269,670	37.7
Operating Profit	8,440	5,269	60.2	29,432	18,079	62.8
Share of loss in joint venture	14	-	nm	14	-	nm
Profit before tax	8,426	5,269	59.9	29,418	18,079	62.7
Income tax expense	547	334	63.8	3,515	2,197	60.0
Profit for the period/year	7,879	4,935	59.7	25,903	15,882	63.1
Profit attributable to:						
Owners of the Company	7,879	4,935	59.7	25,903	15,882	63.1

nm – not meaningful

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

	Group			
	4Q 2017	4Q 2016	FY 2017	FY 2016
	\$'000	\$'000	\$'000	\$'000
<u>Included in other revenue</u>				
Interest income	46	6	66	25
<u>Included in other operating expenses</u>				
Loss on disposal of plant and equipment	–	–	(16)	–
Plant and equipment written off	(152)	(154)	(152)	(154)
Foreign exchange gain/(loss)	–	(5)	4	(6)
Bad debts recovered	20	–	31	38
Loan refinancing fee	–	(100)	(100)	(400)
<u>Included in income tax expense</u>				
Over provision of prior years' tax	421	439	1,322	855
Deferred tax written back	64	64	183	90

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

	Group			
	4Q 2017	4Q 2016	FY 2017	FY 2016
	\$'000	\$'000	\$'000	\$'000
Profit for the period/year	7,879	4,935	25,903	15,882
Other comprehensive income				
Loss on exchange differences on translation, net of tax	–	–	–	(1)
Other comprehensive income for the period/year, net of tax	–	–	–	(1)
Total comprehensive income for the period/year	<u>7,879</u>	<u>4,935</u>	<u>25,903</u>	<u>15,881</u>
Attributable to:				
Owners of the Company	<u>7,879</u>	<u>4,935</u>	<u>25,903</u>	<u>15,881</u>

1(b)(i) Statement of Financial Position

	Group		Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Non-current assets				
Plant and equipment	1,223	1,436	–	–
Intangible assets	100,387	101,320	2,811	3,048
Investment in subsidiaries	–	–	117,294	117,314
Investment in joint venture	20	–	–	–
Fixed deposits	400	400	400	400
	<u>102,030</u>	<u>103,156</u>	<u>120,505</u>	<u>120,762</u>
Current assets				
Trade receivables	70,057	47,808	57	48
Other receivables	1,669	1,333	678	444
Amount due from subsidiaries	–	–	1,535	73
Amount due from a related party	–	24	–	–
Tax recoverable	–	–	19	–
Amount due from joint venture	75	–	–	–
Prepaid operating expenses	171	270	12	4
Cash and bank balances	61,971	17,747	38,089	191
	<u>133,943</u>	<u>67,182</u>	<u>40,390</u>	<u>760</u>
Total assets	<u>235,973</u>	<u>170,338</u>	<u>160,895</u>	<u>121,522</u>
EQUITY AND LIABILITIES				
Current liabilities				
Trade payables and accruals	82,016	55,643	211	95
Other payables	9,500	6,967	–	–
Amount due to a subsidiary	–	–	11,983	10,794
Deferred income	1,971	1,728	27	–
Loan and borrowing	–	6,000	–	6,000
Provision for taxation	4,971	4,451	–	2
	<u>98,458</u>	<u>74,789</u>	<u>12,221</u>	<u>16,891</u>
Net current assets/(liabilities)	<u>35,485</u>	<u>(7,607)</u>	<u>28,169</u>	<u>(16,131)</u>
Non-current liabilities				
Loan and borrowing	–	12,000	–	12,000
Deferred taxation	4,489	4,672	–	–
	<u>4,489</u>	<u>16,672</u>	<u>–</u>	<u>12,000</u>
Total liabilities	<u>102,947</u>	<u>91,461</u>	<u>12,221</u>	<u>28,891</u>
Net assets	<u>133,026</u>	<u>78,877</u>	<u>148,674</u>	<u>92,631</u>
Equity attributable to owners of the Company				
Share capital	98,946	70,700	98,946	70,700
Foreign currency translation reserve	(1)	(1)	–	–
Accumulated profits	34,081	8,178	49,728	21,931
	<u>133,026</u>	<u>78,877</u>	<u>148,674</u>	<u>92,631</u>
Total equity	<u>133,026</u>	<u>78,877</u>	<u>148,674</u>	<u>92,631</u>

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

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

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

(b) Amount repayable after one year

As at 31-Dec-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 RHB 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 of \$10 million with a short term loan of \$10 million from DBS Bank Ltd. The new loan from DBS Bank Ltd is repayable within one year from 31 May 2017, bearing interest rate from 2.31% to 2.50% per annum. 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.

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

1(c) Consolidated Statement of Cash Flows

	Group			
	4Q 2017	4Q 2016	FY 2017	FY 2016
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit before tax	8,426	5,269	29,418	18,079
<u>Adjustments for:</u>				
Allowance for doubtful debts (trade and non-trade)	570	(82)	2,631	1,096
Bad debts recovered	(20)	–	(31)	(38)
Depreciation of plant and equipment	131	155	512	692
Plant and equipment written off	152	154	152	154
Loss on disposal of plant and equipment	–	–	16	–
Amortisation of intangible assets	233	233	932	932
Share of loss in joint venture	14	–	14	–
Interest expense	–	182	266	1,122
Interest income	(46)	(6)	(66)	(25)
Operating cash flows before working capital changes	9,460	5,905	33,844	22,012
<u>Changes in working capital</u>				
(Increase)/decrease in trade and other receivables	(2,771)	2,595	(24,988)	(14,853)
Increase/(decrease) in trade and other payables	7,795	(166)	29,150	18,204
Cash flows from operations	14,484	8,334	38,006	25,363
Interest income received	46	6	66	25
Interest paid	–	(182)	(266)	(1,122)
Income taxes paid	(350)	23	(3,178)	(1,595)
Net cash generated from operating activities	14,180	8,181	34,628	22,671
Cash flows from investing activities				
Purchase of plant and equipment	(325)	(28)	(474)	(140)
Proceeds from disposal of plant and equipment	8	–	8	–
Investment in joint venture	–	–	(34)	–
Advances extended to joint venture	–	–	(150)	–
Net cash used in investing activities	(317)	(28)	(650)	(140)
Cash flows from financing activities				
Proceeds/(expenses incurred) from issue of IPO shares	(17)	–	28,246	–
Proceeds from loan and borrowings	–	–	10,000	–
Repayment of loan and borrowings	–	(4,000)	(28,000)	(19,000)
Net cash (used in)/generated from financing activities	(17)	(4,000)	10,246	(19,000)
Net increase in cash and cash equivalents	13,846	4,153	44,224	3,531
Cash and cash equivalents at beginning of the period/year	48,125	13,594	17,747	14,216
Cash and cash equivalents at end of the period/year	61,971	17,747	61,971	17,747

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

	Attributable to owners of the Company				
	Share capital \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
GROUP - 2017					
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 and 1 October 2017	98,963	(1)	26,202	26,201	125,164
Expenses incurred on issue of IPO shares	(17)	–	–	–	(17)
	98,946	(1)	26,202	26,201	125,147
Profit for the period	–	–	7,879	7,879	7,879
Total comprehensive income	–	–	7,879	7,879	7,879
As at 31 December 2017	98,946	(1)	34,081	34,080	133,026

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/(losses) \$'000	Total reserves \$'000	Total equity \$'000
GROUP - 2016					
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 and 1 October 2016	70,700	(1)	3,243	3,242	73,942
Profit for the period	–	–	4,935	4,935	4,935
Total comprehensive income	–	–	4,935	4,935	4,935
As at 31 December 2016	70,700	(1)	8,178	8,177	78,877

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 and 1 October 2017	98,963	33,481	33,481	132,444
Expenses incurred on issue of IPO shares	(17)	–	–	(17)
	98,946	33,481	33,481	132,427
Profit for the period	–	16,247	16,247	16,247
Total comprehensive income	–	16,247	16,247	16,247
As at 31 December 2017	98,946	49,728	49,728	148,674

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

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 and 1 October 2016	70,700	16,755	16,755	87,455
Profit for the period	–	5,176	5,176	5,176
Total comprehensive income	–	5,176	5,176	5,176
As at 31 December 2016	70,700	21,931	21,931	92,631

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	28,246,111
As at 31 December 2017	355,197,700	98,946,111

There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 31 December 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 31 December 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 attributable to owners of the Company:	Group					
	4Q 2017	4Q 2016	Change (%)	FY 2017	FY 2016	Change (%)
(i) Based on the weighted average number of shares (cents)	2.22	1.59	39.6	8.03	5.11	57.1
- Weighted average number of shares ('000)	355,198	311,080		322,563	311,080	
(ii) On a fully diluted basis (cents)	2.22	1.59	39.6	8.03	5.11	57.1
- Adjusted weighted average number of shares ('000)	355,198	311,080		322,563	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		
	31-Dec-17	31-Dec-16	Change (%)	31-Dec-17	31-Dec-16	Change (%)
	37.5	25.4	47.6	41.9	29.8	40.6

Note: The net asset value per share have been computed based on the share capital of 355,197,700 and 311,080,000 shares as at 31 December 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.

	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
	\$’000	\$’000	(%)	\$’000	\$’000	(%)
Total revenue	129,718	79,848	62.5	400,638	287,749	39.2
Cost of services	113,714	68,450	66.1	345,769	247,894	39.5
Gross Profit	16,004	11,398	40.4	54,869	39,855	37.7

4Q2017 vs 4Q2016

Revenue

Revenue increased by approximately \$49.9 million or 62.5%, from \$79.8 million in 4Q2016 to \$129.7 million in 4Q2017. This was mainly due to the increase in brokerage income from resale and rental of properties of \$20.9 million or 34.9%, from \$59.8 million in 4Q2016 to \$80.7 million in 4Q2017 and the increase in brokerage income from new home sales of \$29.0 million or 162.9%, from \$17.8 million in 4Q2016 to \$46.8 million in 4Q2017.

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

- (i) brokerage income from the resale and rental of properties increased due to higher resale market transactions (4Q2017: 10,084; 4Q2016: 7,081)¹ and higher rental market transactions (4Q2017: 31,151; 4Q2016: 27,899)² in Singapore; and
- (ii) brokerage income from new home sales increased due to higher sales of private residential properties and executive condominiums in Singapore in the preceding quarters (4Q2017: 12,267; 4Q2016: 8,921)³.

Other revenue in 4Q2016 and 4Q2017 remained relatively stable at approximately \$1.1 million and \$1.0 million respectively.

Cost of services

Our cost of services increased by approximately \$45.2 million or 66.1%, from \$68.5 million in 4Q2016 to \$113.7 million in 4Q2017, as a result of the increase in our revenue.

Gross profit

Gross profit increased by approximately \$4.6 million or 40.4%, from \$11.4 million in 4Q2016 to \$16.0 million in 4Q2017. 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 \$1.4 million or 42.8%, from \$3.2 million in 4Q2016 to \$4.6 million in 4Q2017 due to an increase in payroll and staff-related expenses. Our average headcount increased from 133 in 4Q2016 to 143 in 4Q2017.

Marketing and promotion expenses decreased by approximately \$0.1 million or 15.2%, from \$0.5 million in 4Q2016 to \$0.4 million in 4Q2017. The decrease was mainly due to less marketing activities in 4Q2017.

¹ Information on private secondary transactions in Singapore was obtained from URA REALIS, data accessed on 26 January 2018. 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 26 January 2018.

² Information on private residential leases in Singapore obtained from URA REALIS, data accessed 26 January 2018. 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 26 January 2018.

³ Information on private residential new homes transacted in Singapore obtained from URA REALIS, data assessed on 26 January 2018.

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

Depreciation of plant and equipment decreased marginally by approximately \$0.03 million or 15.5%, from \$0.16 million in 4Q2016 to \$0.13 million in 4Q2017.

Amortisation of intangible assets was approximately \$0.23 million in both 4Q2016 and 4Q2017.

Allowance for doubtful debts was approximately \$0.6 million in 4Q2017 as compared to a write back of allowance of \$0.1 million in 4Q2016.

Finance costs of approximately \$0.2 million in 4Q2016 comprised interest expense from bank borrowings. There was no finance costs in 4Q2017 as the bank loan was fully repaid on 29 September 2017.

Additional IPO expenses amounted to approximately \$0.14 million, of which \$0.02 million was capitalized against share capital and \$0.12 million was expensed off in 4Q2017.

Other operating expenses decreased by approximately \$0.5 million or 22.2%, from \$2.0 million in 4Q2016 to \$1.5 million in 4Q2017. The decrease was mainly due to lower rental and miscellaneous expenses in 4Q2017 and \$0.1 million loan refinancing fee in 4Q2016 (4Q2017: Nil).

Overall, total operating expenses increased by approximately \$1.5 million or 23.4%, from \$6.1 million in 4Q2016 to \$7.6 million in 4Q2017.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately \$3.1 million or 59.9%, from \$5.3 million in 4Q2016 to \$8.4 million in 4Q2017.

Tax expense

Tax expense increased by approximately \$0.2 million or 63.8%, from \$0.3 million in 4Q2016 to \$0.5 million in 4Q2017. 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 \$3.0 million or 59.7%, from \$4.9 million in 4Q2016 to \$7.9 million in 4Q2017.

FY2017 vs FY2016

Revenue

Revenue increased by approximately \$112.9 million or 39.2%, from \$287.7 million in FY2016 to \$400.6 million in FY2017. This was mainly due to the increase in brokerage income from resale and rental of properties of \$53.9 million or 25.2%, from \$213.7 million in FY2016 to \$267.6 million in FY2017 and the increase in brokerage income from new home sales of \$58.2 million or 89.0%, from \$65.4 million in FY2016 to \$123.6 million in FY2017.

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

- (iii) brokerage income from the resale and rental of properties increased due to higher resale market transactions (FY2017: 36,521; FY2016: 29,219)¹ and higher rental market transactions (FY2017: 123,607; FY2016: 118,490)² in Singapore; and
- (iv) brokerage income from new home sales increased due to higher sales of private residential properties and executive condominiums in Singapore (FY2017: 14,577; FY2016: 11,971)³.

Other revenue increased by approximately \$0.3 million or 9.1%, from \$3.4 million in FY2016 to \$3.7 million in FY2017 mainly due to higher business conference income and higher bank referral fees.

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 \$97.9 million or 39.5%, from \$247.9 million in FY2016 to \$345.8 million in FY2017, as a result of the increase in our revenue.

Gross profit

Gross profit increased by approximately \$15.0 million or 37.7%, from \$39.9 million in FY2016 to \$54.9 million in FY2017. 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 \$3.0 million or 27.3%, from \$10.8 million in FY2016 to \$13.8 million in FY2017 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 FY2016 to 139 in FY2017.

Marketing and promotion expenses decreased by approximately \$0.2 million or 12.2%, from \$1.3 million in FY2016 to \$1.1 million in FY2017 due to less marketing activities in FY2017.

Depreciation of plant and equipment decreased by \$0.2 million or 26.0%, from \$0.7 million in FY2016 to \$0.5 million in FY2017.

Amortisation of intangible assets was approximately \$0.9 million in both FY2016 and FY2017.

Allowance for doubtful debts increased by approximately \$1.5 million or 140.1%, from \$1.1 million in FY2016 to \$2.6 million in FY2017. The increase was mainly due to higher allowance for doubtful debts in 2017. In 2017, the provision for doubtful debts is based on the age of trade receivables, as follows: (a) 25% (2016: Nil) of the trade receivables outstanding for more than three months but less than six months, (b) 50% (2016: 25%) 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 (2016: 50% for more than nine months but less than 12 months and full provision for trade receivables outstanding for more than 12 months).

Finance costs in FY2016 and FY2017 comprised interest expense from bank borrowings. Finance costs decreased by approximately \$0.8 million or 76.3%, from \$1.1 million in FY2016 to \$0.3 million in FY2017 due to the full repayment of the bank loan on 29 September 2017.

IPO expenses of approximately \$1.2 million were expensed off in FY2017.

Other operating expenses decreased by approximately \$0.8 million or 13.9%, from \$5.9 million in FY2016 to \$5.1 million in FY2017. The decrease was mainly due to lower rental expenses and lower loan refinancing fee incurred in FY2017.

Overall, total operating expenses increased by approximately \$3.6 million or 16.8%, from \$21.8 million in FY2016 to \$25.4 million in FY2017.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately \$11.3 million or 62.7%, from \$18.1 million in FY2016 to \$29.4 million in FY2017.

Tax expense

Tax expense increased by approximately \$1.3 million or 60.0%, from \$2.2 million in FY2016 to \$3.5 million in FY2017. The increase is mainly due to the increase in our taxable income.

Profit for the year

As a result of the foregoing, profit for the year increased by approximately \$10.0 million or 63.1%, from \$15.9 million in FY2016 to \$25.9 million in FY2017.

- 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 \$102.0 million as at 31 December 2016 and 31 December 2017 respectively. The decrease of approximately \$1.2 million or 1.1% was mainly due to amortisation of intangible assets of \$0.9 million.

Current assets

Trade receivables amounted to approximately \$47.8 million and \$70.1 million as at 31 December 2016 and 31 December 2017 respectively. The increase of approximately \$22.2 million or 46.5% was mainly due to higher billings in 4Q2017 as compared to 4Q2016.

Cash and bank balances increased by approximately \$44.2 million or 249.2%, from \$17.7 million as at 31 December 2016 to \$62.0 million as at 31 December 2017.

As a result of the foregoing, total current assets increased by approximately \$66.8 million or 99.4%, from \$67.2 million as at 31 December 2016 to \$133.9 million as at 31 December 2017.

Non-current liabilities

The Group's total non-current liabilities decreased by approximately \$12.2 million or 73.1%, from \$16.7 million as at 31 December 2016 to \$4.5 million as at 31 December 2017 mainly due to the full repayment of bank loan on 29 September 2017.

Current liabilities

Trade payables and accruals amounted to approximately \$55.6 million and \$82.0 million as at 31 December 2016 and 31 December 2017 respectively. The increase of approximately \$26.4 million or 47.4% 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 \$9.5 million as at 31 December 2016 and 31 December 2017 respectively. The increase of approximately \$2.5 million or 36.4% was mainly due to higher billings in 4Q2017 as compared to 4Q2016 which resulted in a higher goods and services tax payable as at 31 December 2017.

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

Provision for taxation amounted to approximately \$4.5 million and \$5.0 million as at 31 December 2016 and 31 December 2017. The increase of approximately \$0.5 million or 11.7% was mainly due to the provision of income tax of \$3.5 million for FY2017 offset by income taxes of \$3.2 million paid in FY2017.

As a result of the foregoing, total current liabilities increased by approximately \$23.7 million or 31.6%, from \$74.8 million as at 31 December 2016 to \$98.5 million as at 31 December 2017.

Equity attributable to the owners of the Company

The equity attributable to the owners of the Company increased by approximately \$54.1 million or 68.6%, from \$78.9 million as at 31 December 2016 to \$133.0 million as at 31 December 2017. The increase was attributable to the issue of the IPO shares of \$28.2 million in 3Q2017 and the profit for FY2017 of \$25.9 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

4Q2017 vs 4Q2016

Net cash generated from operating activities was approximately \$8.2 million in 4Q2016 as compared to approximately \$14.2 million in 4Q2017. The increase of \$6.0 million was mainly due to higher profit of \$3.2 million and a net increase in working capital of \$2.6 million for 4Q2017 as compared to 4Q2016.

Net cash used in investing activities was approximately \$0.03 million in 4Q2016 as compared to approximately \$0.32 million in 4Q2017. The increase is mainly due to the purchase of equipment in 4Q2017.

Net cash used in financing activities was approximately \$0.02 million in 4Q2017. In 4Q2016, net cash used in financing activities was \$4.0 million for repayment of bank loan.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately \$13.8 million for 4Q2017 as compared to approximately \$4.2 million for 4Q2016.

FY2017 vs FY2016

Net cash generated from operating activities was approximately \$22.7 million in FY2016 as compared to approximately \$34.6 million in FY2017. The increase of \$11.9 million was mainly due to higher profit of \$11.3 million and a net increase in working capital of \$0.8 million for FY2017 as compared to FY2016.

Net cash used in investing activities was approximately \$0.1 million in FY2016 as compared to approximately \$0.7 million in FY2017. The increase was mainly due to higher purchase of equipment of \$0.3 million in FY2017 and an advance extended to joint venture of \$0.2 million.

In FY2016, net cash used in financing activities was \$19.0 million for repayment of bank loan. Net cash generated from financing activities was approximately \$10.2 million in FY2017 due to proceeds received from IPO of \$28.2 million offset by net repayment of bank loans of \$18.0 million.

As a result of the foregoing, there was a net increase in cash and cash equivalents of approximately \$44.2 million in FY2017 as compared to an increase of approximately \$3.5 million in FY2016.

Cash and cash equivalents as at 31 December 2017 stood at \$62.0 million.

9 Use of Proceeds Raised From IPO

Pursuant to the Company's IPO, the Company received proceeds of approximately \$29.1 million. Expenses amounted to \$2.1 million, of which \$0.9 million was capitalised against share capital and \$1.2 million was expensed off in the year ended 31 December 2017. The net proceeds raised from the IPO of \$27.0 million has not been utilised as at 31 December 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 expected to remain active as the underlying demand for residential properties is likely to remain strong and current mortgage interest rates remain attractive.

However, this may be affected by any adverse global economic conditions and changes in mortgage interest rates.

The total number of unsold private residential units have been declining for the past 2 years and reached 19,755 (including ECs) as at 31 December 2017. However, the vacancy rate of completed private residential units remains high at 7.8% as at 31 December 2017.

As en-bloc sales have been 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 (12,100) and available parcels on Government land sales (7,800) could add up to 19,900. According to URA, a large part of this new supply could be made available for sale later this year or next year and will be completed from 2021 onwards.

12 Dividend

(a) Any dividend declared for the current financial period reported on?

Yes.

Name of Dividend	Proposed Final
Dividend Type	Cash
Dividend Amount	S\$0.02 per ordinary share
Tax Rate	Tax Exempt

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

No.

(c) Date payable

The directors have proposed a final dividend of \$0.02 per ordinary share (tax exempt) for approval by shareholders at the forthcoming Annual General Meeting to be convened. Details on payment of dividends will be announced in due course.

(d) Books closure date

Details on closure of books will be announced in due course.

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

Not applicable.

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 Segment Information

For management purposes, the Group is organised into business units based on their services, and has three reportable segments as follows:

- I. Brokerage income from resale and rental of properties - relates to commission and fee income from the brokerage of resale and rental of residential, commercial and industrial properties.
- II. Brokerage income from new home sales - relates to commission and fee income from the brokerage of new residential projects for sale by various developers.
- III. Others - relates to rental income from properties, workstations, lockers and furniture, incentives, referral, professional indemnity insurance and administration fees income, business conference income and miscellaneous income.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group income taxes and finance costs are managed on a group basis and are not allocated to operating segments.

The Group did not disclose operating segment assets and liabilities as such measures are not monitored. The Group operates mainly in Singapore with revenue predominantly generated in Singapore. Accordingly, analysis of revenue and assets of the Group by geographical distribution has not been presented.

	Brokerage income from resale and rental of properties \$'000	Brokerage income from new home sales \$'000	Others \$'000	Total \$'000
2017				
Revenue:				
Real estate brokerage fees and related services	267,613	123,613	5,725	396,951
Other revenue	31	–	3,656	3,687
Total revenue	267,644	123,613	9,381	400,638
Segment results	9,427	18,796	1,461	29,684
Finance costs				(266)
Profit before tax				29,418
Income tax expense				(3,515)
Profit for the year				25,903
Others:				
Bad debts recovered	31	–	–	31
Allowance for doubtful debts provided (trade)	(2,526)	(24)	(6)	(2,556)
Allowance for doubtful debts provided (non-trade)	–	–	(75)	(75)
Depreciation and amortisation	(470)	(600)	(374)	(1,444)
Interest income	–	–	66	66

16 Segment Information (cont'd)

	Brokerage income from resale and rental of properties \$'000	Brokerage income from new home sales \$'000	Others \$'000	Total \$'000
2016				
Revenue:				
Real estate brokerage fees and related services	213,680	65,448	5,240	284,368
Other revenue	39	–	3,342	3,381
Total revenue	213,719	65,448	8,582	287,749
Segment results	6,646	10,777	1,778	19,201
Finance costs				(1,122)
Profit before tax				18,079
Income tax expense				(2,197)
Profit for the year				15,882
Others:				
Bad debts recovered	38	–	–	38
Allowance for doubtful debts provided (trade)	(1,062)	(26)	(13)	(1,101)
Allowance for doubtful debts written back (non-trade)	–	–	5	5
Depreciation and amortisation	(576)	(643)	(405)	(1,624)
Interest income	–	–	25	25

17 Breakdown of Sales

Group	2017 \$'000	2016 \$'000	% Change
Revenue reported for first half year	165,388	126,924	30.3
Operating profit after tax reported for first half year	12,516	5,807	115.5
Revenue reported for second half year	235,250	160,825	46.3
Operating profit after tax reported for second half year	13,387	10,075	32.9

18 Breakdown of the total annual dividend (in dollar value) dividend declared for the issuer's latest full year and its previous full year as follows:

	2017 \$'000	2016 \$'000
Ordinary	7,104	–

19 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the SGX-ST, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is related to the director, chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Chua Khee Hak
CEO
23 February 2018

DBS Bank Ltd. is the sole issue manager of the initial public offering and listing of APAC Realty Limited. DBS Bank Ltd. assumes no responsibility for the contents of this announcement.