Issuer: APAC Realty Limited
Security: APAC Realty Limited

Meeting details:
Date: 25 April 2018
Time: 10.00 a.m.
Venue: 229 Mountbatten Road, #03-01 Mountbatten Square, Singapore 398007

Company Description

APAC Realty Limited provides real estate services in Singapore. It operates through three segments: Real Estate Brokerage Services; Franchise Arrangements; and Training, Valuation and Other Ancillary Services. The company offers real estate brokerage services, including property brokerage services for primary home and secondary home sales, as well as for the rental of residential, commercial, and industrial properties under the ERA brand name. It also holds the ERA regional master franchise rights for 17 countries in Asia Pacific; and franchise rights for Singapore for Coldwell Banker, a real estate office and franchising company in the United States. In addition, the company provides training programmes and courses for real estate agents in preparation for professional certification exams; undertakes valuation works on behalf of clients, such as financial institutions, government agencies, and property owners; and provides management services for real estate developments. Further, it engages in the rental of properties, workstations, lockers, and furniture products; and provision of professional indemnity insurance and business conference services. The company was founded in 1982 and is headquartered in Singapore. APAC Realty Limited is a subsidiary of Asia Pacific Realty Holdings Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=CLN)

Q1) As noted in the Joint Statement by Chairman and CEO, revenue in FY2017 increased by 39.2% to $400.6 million as the volume of transactions increased. Net profit also increased to $25.9 million, or 63.1% higher than the FY2016 level.

a) **For the Singapore market, what would the recent spate of enbloc sales mean for transaction volume in the next 2-3 years?**

b) **How does the group stand out against its competitors to secure developer project launches? Would this be a key driver to the group's growth in FY2018 and beyond?**

c) **As the volume of transaction increases, would management expect the group to reap increasing operating leverage and to report better profit margin?**

d) With 6,053 agents registered as at 22 March 2018, the group is one of the largest real estate agencies in Singapore. As shown in the prospectus dated 21 September 2017, the group had a market share of 37.5% in FY2016. **Has the group explored or evaluated options in Singapore to further consolidate its market leading position?**

Q2) The group expanded the ERA network to Vietnam and Cambodia since the group's listing on the Mainboard of the Singapore Exchange Securities Trading Limited on 28 September 2017. Under the Regional Master Franchise Agreement (Regional MFA), the group holds the exclusive ERA rights to other countries including China (including Hong Kong and Macau), Philippines, Australia and New Zealand for an initial term of 30 years, expiring in 2029.

a) **Can management help shareholders understand the market entry strategy for these two new markets? What is the projected impact on revenue and profit from these two new markets?**

As shown in the prospectus, the Singapore operations contributed 99.9% of the group's revenue in FY2016.

b) **Has the board worked with management to develop a growth strategy to diversify the group's revenue stream and to reduce the reliance on the Singapore market?**

c) **If so, what are the revenue and profit targets from overseas markets in 3-5 years' time?**

d) China (including Hong Kong and Macau) and Australia are the two largest real estate investment destinations in the Asia-Pacific region and the group holds the Regional MFA for these markets. **Has the board evaluated the group's options to realise the value of these two markets?**

Q3) The "impairment assessment of trade receivables" is one of two key audit matters highlighted in the Independent Auditor's Report. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

It was disclosed that:

> *As at 31 December 2017, the gross balance of trade receivables amounted to $73.3 million, against which allowance for impairment amounted to $3.2 million. Trade receivable balances are significant to the Group as they represent 52.3% of the total current assets and 52.7% of total equity. The determination as to whether a trade receivable is collectible involves management judgement. As such, we considered this to be a key audit matter.*

As seen in Note 9 (page 72 – Trade and other receivables), the group has trade receivables amounting to $7,979,495 (2016: $6,935,086) that are past due at the end of the reporting period but not impaired. The aging analysis of the trade receivables past due but not impaired is shown in the following table:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Not past due	62,077,505	40,872,790	57,000	48,000
Receivables that are past due but not impaired:				
Past due up to 30 days	2,685,245	2,853,895	–	–
Past due 31 to 60 days	2,060,045	1,332,979	–	–
Past due 61 to 90 days	1,300,934	1,281,671	–	–
Past due more than 90 days	1,933,271	1,466,541	–	–
	7,979,495	6,935,086	–	–
Total	70,057,000	47,807,876	57,000	48,000

(Source: Company annual report)

a) **Can management help shareholders understand the upper limit of the aging of the long outstanding debt? Please provide a breakdown of the aging for the sum past due more than 90 days, and show the number of debtors and the amounts.**

b) **What are management's plans to improve on the collection of long outstanding debt?**

In addition, a sum of $2.56 million was recognised as allowance for doubtful debts in FY2017, a marked increase from $1.10 million that was recognised in FY2016.

c) **Given the group's business model, can management help shareholders understand how it ended up in a situation where the group has substantial amounts due from debtors and that these debtors are now in significant financial difficulties and that they have defaulted on payment? What improvements have been made to the group's credit risk framework and policies?**