



Service You Trust
SINGAPORE

PROPNE X LIMITED

Company Registration Number: 201801373N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2020

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PROPnex LIMITED**Company Registration Number: 201801373N****UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2020**

The Board of Directors (the “**Board**”) of PropNex Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following unaudited results of the Group for the second quarter and half year ended 30 June 2020.

1(a)(i) Consolidated Statement of Profit or Loss

	Group			Group		
	2Q2020 S\$'000	2Q2019 S\$'000	Change (%)	1H2020 S\$'000	1H2019 S\$'000	Change (%)
Revenue	105,931	92,093	15.0	241,547	166,303	45.2
Cost of services rendered	(93,358)	(83,033)	12.4	(213,907)	(150,039)	42.6
Gross profits	12,573	9,060	38.8	27,640	16,264	69.9
Finance income	216	293	(26.3)	517	606	(14.7)
Finance costs	(12)	(16)	(25.0)	(39)	(28)	39.3
Other income	2,231	1,707	30.7	3,804	3,174	19.8
Staff costs	(3,527)	(2,634)	33.9	(7,244)	(5,790)	25.1
Depreciation of plant and equipment	(290)	(283)	2.5	(588)	(553)	6.3
Depreciation of right-of-use assets	(667)	(673)	(0.9)	(1,327)	(1,345)	(1.3)
Amortisation of trademark	(8)	(8)	-	(15)	(15)	-
Other expenses	(1,180)	(2,618)	(54.9)	(3,469)	(4,722)	(26.5)
Gain on derecognition of investment in associate	-	33	NM	-	33	NM
Profit before tax	9,336	4,861	92.1	19,279	7,624	152.9
Tax expense	(1,580)	(823)	92.0	(3,299)	(1,250)	163.9
Profit for the period	7,756	4,038	92.1	15,980	6,374	150.7
Profit attributable to:						
Owners of the Company	7,263	3,704	96.1	14,839	5,704	160.2
Non-controlling interests	493	334	47.6	1,141	670	70.3
Profit for the period	7,756	4,038	92.1	15,980	6,374	150.7

NM – Not meaningful

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

	Group			Group		
	2Q2020 S\$'000	2Q2019 S\$'000	Change (%)	1H2020 S\$'000	1H2019 S\$'000	Change (%)
Profit for the period	7,756	4,038	92.1	15,980	6,374	150.7
Other comprehensive income, net of tax						
Items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operation	-	-	-	1	-	NM
Other comprehensive income for the period, net of tax	-	-	-	1	-	NM
Total comprehensive income for the period	7,756	4,038	92.1	15,981	6,374	150.7
Total comprehensive income attributable to:						
Owners of the Company	7,263	3,704	96.1	14,840	5,704	160.2
Non-controlling interests	493	334	47.6	1,141	670	70.3
Total comprehensive income for the period	7,756	4,038	92.1	15,981	6,374	150.7

NM – not meaningful

1(a)(iii) Notes to Consolidated Statement of Profit or Loss

Profit for the period is derived after (crediting)/charging the following:

	Group		Group	
	2Q2020 S\$'000	2Q2019 S\$'000	1H2020 S\$'000	1H2019 S\$'000
Profit for the period is derived after (crediting)/charging the following:				
Amortisation of trademark	8	8	15	15
Bad debts written off	56	76	140	147
Depreciation of plant and equipment	290	283	588	553
Depreciation of right-of-use assets	667	673	1,327	1,345
Foreign exchange loss/(gain)	5	-	3	(13)
Impairment losses on trade and other receivables	164	386	92	541
Interest expense	12	16	39	28
Interest income	(216)	(293)	(517)	(606)
Gain on disposal of plant and equipment	-	-	(1)	-
Plant and equipment written off	-	18	-	52

1(b)(i) Statements of Financial Position

	Group		Company	
	30-Jun-20 S\$'000	31-Dec-19 S\$'000	30-Jun-20 S\$'000	31-Dec-19 S\$'000
Assets				
Plant and equipment	3,021	3,499	2	2
Trademark	143	158	135	150
Right-of-use assets	3,993	5,320	-	-
Subsidiaries	-	-	18,098	18,098
Associates	16	-	-	-
Other investment	391	393	-	-
Deferred tax assets	1	1	1	1
Non-current assets	7,565	9,371	18,236	18,251
Trade and other receivables	77,276	63,466	4,231	6,204
Cash and cash equivalents	99,744	81,607	57,402	47,568
Total current assets	177,020	145,073	61,633	53,772
Total assets	184,585	154,444	79,869	72,023
Equity				
Share capital	57,491	57,491	57,491	57,491
Merger reserve	(17,663)	(17,663)	-	-
Translation reserve	-	(1)	-	-
Capital reserve	607	607	-	-
Retained earnings	35,422	28,908	12,358	8,844
Equity attributable to owners of the Company	75,857	69,342	69,849	66,335
Non-controlling interests	2,210	2,553	-	-
Total equity	78,067	71,895	69,849	66,335
Liabilities				
Deferred tax liabilities	187	187	-	-
Lease liabilities	1,786	2,859	-	-
Non-current liabilities	1,973	3,046	-	-
Trade and other payables	93,878	71,702	9,844	5,603
Current tax liabilities	7,589	4,322	176	85
Deferred income	833	994	-	-
Lease liabilities	2,245	2,485	-	-
Current liabilities	104,545	79,503	10,020	5,688
Total liabilities	106,518	82,549	10,020	5,688
Total equity and liabilities	184,585	154,444	79,869	72,023

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

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

Nil

(b) The amount repayable after one year

Nil

(c) Whether the amounts are secured or unsecured

Not applicable

(d) Details of any collaterals

Not applicable

1(c) Consolidated Statements of Cash Flows

	Group		Group	
	2Q2020 S\$'000	2Q2019 S\$'000	1H2020 S\$'000	1H2019 S\$'000
Cash flows from operating activities				
Profit for the period	7,756	4,038	15,980	6,374
Adjustments for:				
Amortisation of trademark	8	8	15	15
Bad debts written off	56	76	140	147
Depreciation of plant and equipment	290	283	588	553
Depreciation of right-of-use assets	667	673	1,327	1,345
Impairment losses on trade and other receivables	164	386	92	541
Interest expense	12	16	39	28
Interest income	(216)	(293)	(517)	(606)
Gain on disposal of plant and equipment	-	-	(1)	-
Plant and equipment written off	-	18	-	52
Gain on sale of associate	-	(33)	-	(33)
Tax expense	1,580	823	3,296	1,250
	10,317	5,995	20,962	9,666
Changes in:				
- trade and other receivables	6,225	(404)	(14,042)	14,616
- trade and other payables	(4,570)	3,441	13,852	(9,857)
- deferred income	(82)	140	(161)	125
Cash generated from operations	11,890	9,172	20,611	14,550
Tax paid	(2)	(2,427)	(32)	(2,431)
Net cash from operating activities	11,888	6,745	20,579	12,119
Cash flows from investing activities				
Acquisition of plant and equipment	(44)	(353)	(110)	(1,327)
Interest received	216	293	517	606
Investment in other investment	-	-	(14)	-
Proceeds from sale of associate	-	17	-	17
Proceeds from sale of plant and equipment	-	-	1	-
Net cash from/(used in) investing activities	172	(43)	394	(704)
Cash flows from financing activities				
Dividends paid to owners	-	(12,950)	-	(12,950)
Dividends paid to non-controlling interests	(1,484)	(75)	(1,484)	(75)
Interest paid	(12)	(16)	(39)	(28)
Repayment of lease liabilities	(662)	(667)	(1,313)	(1,336)
Net cash used in financing activities	(2,158)	(13,708)	(2,836)	(14,389)
Net increase/(decrease) in cash and cash equivalents	9,902	(7,006)	18,137	(2,974)
Cash and cash equivalents at beginning of the financial period	89,781	79,642	81,546	75,610
Cash and cash equivalents at end of the financial period	99,683	72,636	99,683	72,636
<u>Additional information:</u>				
Cash at bank and on hand	99,744	72,697	99,744	72,697
Less: bank deposits pledged	(61)	(61)	(61)	(61)
Total cash and cash equivalents	99,683	72,636	99,683	72,636

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

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Merger reserve	Capital reserve	Foreign currency translation reserve	Retained earnings	Total			
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
As at 1 January 2020	57,491	(17,663)	607	(1)	28,908	69,342	2,553	71,895	
Profit for the period	-	-	-	-	14,839	14,839	1,141	15,980	
Other comprehensive income									
– Foreign currency translation	-	-	-	1	-	1	-	1	
Total comprehensive income	-	-	-	1	14,839	14,840	1,141	15,981	
Transaction with owner, recognised directly in equity									
Distributions to owners									
Dividends	-	-	-	-	(8,325)	(8,325)	(1,484)	(9,809)	
Total transaction with owners of the Company	-	-	-	-	(8,325)	(8,325)	(1,484)	(9,809)	
As at 30 June 2020	57,491	(17,663)	607	-	35,422	75,857	2,210	78,067	

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

	Attributable to owners of the Company						Non-controlling interests S\$'000	Total equity S\$'000
	Share capital S\$'000	Merger reserve S\$'000	Capital reserve S\$'000	Foreign currency translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000		
As at 1 January 2019	57,491	(17,663)	607	(1)	26,443	66,877	3,521	70,398
Profit for the period	-	-	-	-	5,704	5,704	670	6,374
Other comprehensive income								
- Foreign currency translation	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	5,704	5,704	670	6,374
Transaction with owner, recognised directly in equity								
Distributions to owners								
Dividends paid	-	-	-	-	(12,950)	(12,950)	(75)	(13,025)
Total transaction with owners of the Company	-	-	-	-	(12,950)	(12,950)	(75)	(13,025)
As at 30 June 2019	57,491	(17,663)	607	(1)	19,197	59,631	4,116	63,747

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

COMPANY - 2020	Attributable to owners of the Company		
	Share capital	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000
As at 1 January 2020	57,491	8,844	66,335
Profit for the period	-	11,839	11,839
Total comprehensive income	-	11,839	11,839
Transaction with owner, recognised directly in equity			
Contribution by owners			
Dividends	-	(8,325)	(8,325)
Total transaction with owners of the Company	-	(8,325)	(8,325)
As at 30 June 2020	57,491	12,358	69,849
Attributable to owners of the Company			
COMPANY - 2019	Share capital	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000
	As at 1 January 2019	57,491	14,792
Profit for the period	-	680	680
Total comprehensive income	-	680	680
Transaction with owner, recognised directly in equity			
Contribution by owners			
Dividends paid	-	(12,950)	(12,950)
Total transaction with owners of the Company	-	(12,950)	(12,950)
As at 30 June 2019	57,491	2,522	60,013

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2Q2020. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 June 2020 and 31 December 2019.

- 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 June 2020 and 31 December 2019, the Company's issued ordinary shares, excluding treasury shares, is 370,000,000. The Company did not have any treasury shares as at 30 June 2020 and 31 December 2019.

- 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, whether there are any modifications, disclaimer of opinion, adverse opinion or emphasis of a matter (including material uncertainties on going concern). Also, where the figures have been audited or reviewed, whether the auditor's report is announced using the Financial Statements and Related Announcement template with appropriate subject sub-heading.**

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

- 3A Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: -**

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is material uncertainty relating to going concern.

Not applicable as the Group's latest financial statements are not subject to an adverse opinion, qualified opinion or disclaimer of opinion.

4 Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been followed.

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 for the year ended 31 December 2019 except for the changes in accounting policies as disclosed in Item 5 below.

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 following new SFRS(I)s, interpretations and amendments to SFRS(I)s on 1 January 2020. However, these new amendments to SFRS(I)s have no significant impact on the Group’s financial statements.

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Definition of a Business (Amendments to SFRS(I) 3)
- Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I)1- 8)

6 Earnings Per Ordinary Share

	Group			Group		
	2Q2020	2Q2019	Change (%)	1H2020	1H2019	Change (%)
Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:						
(i) Based on the weighted average number of shares (cents)	1.96	1.00	96.1	4.01	1.54	160.2
- Weighted average number of shares ('000)	370,000	370,000	-	370,000	370,000	-
(ii) On a fully diluted basis (cents)	1.96	1.00	96.1	4.01	1.54	160.2
- Weighted average number of shares ('000)	370,000	370,000	-	370,000	370,000	-

7 Net Asset Value Per Share

	Group			Company		
	30-Jun-20	31-Dec-19	Change (%)	30-Jun-20	31-Dec-19	Change (%)
Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents)	20.50	18.74	9.4	18.88	17.93	5.3

- 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.**

Review of Group Performance

2Q2020 vs 2Q2019

Revenue

Revenue increased by approximately S\$13.8 million or 15.0%, from S\$92.1 million in 2Q2019 to S\$105.9 million in 2Q2020. This was mainly due to the increase in commission income from project marketing services of approximately S\$29.3 million driven by higher number of transactions completed in 2Q2020 following the recovery of the private residential market from the property cooling measures of July 2018. This was partially offset by decrease in commission income from agency services of approximately S\$15.4 million due to initial impact of circuit breaker.

Cost of services

Cost of services increased by approximately S\$10.3 million or 12.4%, from S\$83.0 million in 2Q2019 to S\$93.3 million in 2Q2020. The increase in commission cost to salespersons was in tandem with the increase in commission income.

Gross profit

As a result of the above, gross profit increased by approximately S\$3.5 million or 38.8%, from S\$9.1 million in 2Q2019 to S\$12.6 million in 2Q2020. This was mainly attributed to the increase in revenue and notably increase in contribution from project marketing services which is a business segment with better gross margin as compared to agency services' resale transactions.

Finance income

Finance income decreased by approximately S\$0.1 million, from S\$0.3 million in 2Q2019 to S\$0.2 million in 2Q2020. This was mainly due to a decrease in interest income from lower fixed deposit interest rates.

Other income

Other income increased by approximately S\$0.5 million or 30.7%, from S\$1.7 million in 2Q2019 to S\$2.2 million in 2Q2020. This was mainly due to an increase of government grants amounting to approximately S\$1.0 million from the government's jobs support scheme and property tax rebate from landlords, this was partially offset by a decrease in marketing and advertising fee income of approximately \$0.5 million due to closing of sales gallery during circuit breaker period.

Other expenses

Staff cost increased by approximately S\$0.9 million or 33.9%, from S\$2.6 million in 2Q2019 to S\$3.5 million in 2Q2020. The increase was mainly due to higher provision for bonus in 2Q2020 and higher salary base due to increment of salary since 3Q2019.

Other expenses decreased by approximately S\$1.4 million or 54.9%, from S\$2.6 million in 2Q2019 to S\$1.2 million in 2Q2020. That was mainly due to the overall reduction in all activities of the Group during the circuit breaker period, notably advertising and marketing expenses decreased by approximately S\$0.4 million, corporate event decreased by approximately S\$0.2 million, impairment loss on trade and other receivables decreased by approximately S\$0.2 million, legal and professional fees decreased by approximately S\$0.1 million and recruitment expenses decreased by approximately S\$0.2 million.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately S\$4.4 million or 92.1%, from S\$4.9 million in 2Q2019 to S\$9.3 million in 2Q2020.

Tax expense

Tax expense increased by approximately S\$0.8 million or 92.0%, from S\$0.8 million in 2Q2019 to S\$1.6 million in 2Q2020, in line with the higher profits in 2Q2020.

- 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).**

1H2020 vs 1H2019

Revenue

Revenue increased by approximately S\$75.2 million or 45.2%, from S\$166.3 million in 1H2019 to S\$241.5 million in 1H2020. This was mainly due to the increase in commission income from project marketing services of approximately S\$75.1 million driven by higher number of transactions completed in 1H2020 following the recovery of the private residential market from the property cooling measures of July 2018.

Cost of services

Cost of services increased by approximately S\$63.9 million or 42.6%, from S\$150.0 million in 1H2019 to S\$213.9 million in 1H2020. The increase in commission cost to salespersons was in tandem with the increase in commission income.

Gross profit

As a result of the above, gross profit increased by approximately S\$11.3 million or 69.9%, from S\$16.3 million in 1H2019 to S\$27.6 million in 1H2020. This was mainly attributed to the increase in revenue and notably increase in contribution from project marketing services which is a business segment with better gross margin as compared to agency services' resale transactions.

Finance income

Finance income decreased by approximately S\$0.1 million, from S\$0.6 million in 1H2019 to S\$0.5 million in 1H2020. This was mainly due to a decrease in interest income from lower fixed deposit interest rates.

Other income

Other income increased by approximately S\$0.6 million or 19.8%, from S\$3.2 million in 1H2019 to S\$3.8 million in 1H2020. This was mainly due to an increase of government grants amounting to approximately S\$1.0 million from the government's jobs support scheme and property tax rebate from landlords and an increase valuation income of approximately S\$0.3 million partially offset by a decrease in marketing and advertising fee income of approximately \$0.6 million due to closing of sales gallery during circuit breaker period.

Other expenses

Staff cost increased by approximately S\$1.4 million or 25.1%, from S\$5.8 million in 1H2019 to S\$7.2 million in 1H2020. The increase was mainly due to higher provision for bonus in 1H2020 and higher salary base due to increment of salary since 3Q2019.

Other expenses decreased by approximately S\$1.2 million or 26.5%, from S\$4.7 million in 1H2019 to S\$3.5 million in 1H2020. That was mainly due to the overall reduction in all activities of the Group during the circuit breaker period, notably the decreases in advertising and marketing expenses by approximately S\$0.6 million, impairment loss on trade and other receivables by approximately S\$0.4 million, corporate event by approximately S\$0.1 million and legal and professional fees by approximately S\$0.1 million.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately S\$11.7 million or 152.9%, from S\$7.6 million in 1H2019 to S\$19.3 million in 1H2020.

Tax expense

Tax expense increased by approximately S\$2.0 million or 163.9%, from S\$1.3 million in 1H2019 to S\$3.3 million in 1H2020 in line with the higher profits in 1H2020.

- 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).**

Statements of Financial Position Review (as at 30 June 2020 compared to 31 December 2019)

Non-current assets

Non-current assets decreased by approximately S\$1.8 million or 19.3%, from S\$9.4 million as at 31 December 2019 to S\$7.6 million as at 30 June 2020. This was mainly due to the depreciation of both ROU assets as well as plant and equipment of approximately S\$1.3 million and S\$0.6 million respectively, partially offset by additions of plant and equipment of approximately \$0.1 million in 1H2020.

Current assets

Trade and other receivables increased by approximately S\$13.8 million or 21.8%, from S\$63.5 million as at 31 December 2019 to S\$77.3 million as at 30 June 2020. The increase was in tandem with higher revenue recognised in 1H2020.

Cash and cash equivalents increased by approximately S\$18.1 million or 22.2%, from S\$81.6 million as at 31 December 2019 to S\$99.7 million as at 30 June 2020. The increase was mainly due to net cash generated from operating activities.

As a result, total current assets increased by approximately S\$30.1 million or 19.5%, from S\$154.4 million as at 31 December 2019 to S\$184.6 million as at 30 June 2020.

Non-current liabilities

Non-current liabilities decreased by approximately S\$1.0 million from S\$3.0 million as at 31 December 2019 to S\$2.0 million as at 30 June 2020 due to reclassification of non-current lease liabilities to current lease liabilities.

Current liabilities

Trade and other payables increased by approximately S\$22.2 million or 30.9%, from S\$71.7 million as at 31 December 2019 to S\$93.9 million as at 30 June 2020. The increase was mainly due to the increase in trade payables by approximately S\$13.9 million in line with the increase in revenue and an increase in dividend payables by approximately S\$8.3 million to the shareholders of the Company as at 30 June 2020.

Current tax liabilities increased by approximately S\$3.3 million or 75.6%, from S\$4.3 million as at 31 December 2019 to S\$7.6 million as at 30 June 2020. The increase was due tax expense accrued for 1H2020.

As a result, total current liabilities increased by approximately S\$25.0 million or 31.5%, from S\$79.5 million as at 31 December 2019 to S\$104.5 million as at 30 June 2020.

Equity

The equity attributable to the owners of the Company increased by approximately S\$6.5 million or 9.4%, from S\$69.3 million as at 31 December 2019 to S\$75.9 million as at 30 June 2020 due to profit attributable to owners of the Company partially offset by dividends payable to the owners of the Company.

- 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).**

Statement of Cash Flow Review

2Q2020 vs 2Q2019

Net cash from operating activities was approximately S\$11.9 million in 2Q2020 as compared to approximately S\$6.7 million in 2Q2019. The increase was mainly due to higher cash generated from operations of approximately S\$2.7 million and decrease in tax paid by approximately S\$2.4 million.

Net cash from investing activities was approximately S\$0.2 million in 2Q2020 as compared to net cash used in investing activities of approximately S\$0.04 million in 2Q2019. This was mainly due to the decrease in acquisition of plant and equipment by approximately S\$0.3 million offset by decrease in interest received of approximately S\$0.1 million.

Net cash used in financing activities was approximately S\$2.2 million in 2Q2020 as compared to S\$13.7 million in 2Q2019. The circuit breaker in April delayed the AGM to June 2020, which in turn delayed the payment of FY2019 dividend to July 2020. No dividend was paid in 2Q2020 as compared to the payment of approximately \$13.0 million in 2Q2019 to shareholders of the Company. This decrease was partially offset by increase in dividends paid to non-controlling interests of approximately \$1.4 million.

As a result, there was a net increase in cash and cash equivalents of approximately S\$9.9 million for 2Q2020 as compared to net decrease of approximately S\$7.0 million for 2Q2019.

1H2020 vs 1H2019

Net cash from operating activities was approximately S\$20.6 million in 1H2020 as compared to approximately S\$12.1 million in 1H2019. The increase was mainly due to higher cash generated from operations of approximately S\$6.1 million and decrease in tax paid by approximately S\$2.4 million.

Net cash from investing activities was approximately S\$0.4 million in 1H2020 as compared to net cash used in investing activities of approximately S\$0.7 million in 1H2019. This was mainly due to the decrease in acquisition of plant and equipment by approximately S\$1.2 million offset by decrease in interest received of approximately S\$0.1 million.

Net cash used in financing activities was approximately S\$2.8 million in 1H2020 as compared to S\$14.4 million in 1H2019. The circuit breaker in April delayed the AGM to June 2020, which in turn delayed the payment of FY2019 dividend to July 2020. No dividend was paid in 2Q2020 as compared to the payment of approximately \$13.0 million in 2Q2019 to shareholders of the Company. This decrease was partially offset by increase in dividends paid to non-controlling interests of approximately \$1.4 million.

As a result, there was a net increase in cash and cash equivalents of approximately S\$18.1 million for 1H2020 as compared to net decrease of approximately S\$3.0 million for 1H2019.

9 Use of Proceeds Raised From IPO

Pursuant to the Company's IPO, the Company received net proceeds of approximately S\$38.3 million ("Net Proceeds"). The Board wishes to provide an update on the use of Net Proceeds as at 30 June 2020.

Use of Net Proceeds	Allocation of Net Proceeds as disclosed in the Prospectus (S\$'000)	Net Proceeds utilized as at the date of this announcement (S\$'000)	Balance of Net Proceeds as at the date of this announcement (S\$'000)
Local and regional expansion through mergers and acquisitions, joint ventures and partnerships strategy	12,000	509 ⁽¹⁾	11,491
Enhancement of real estate brokerage business	8,000	4,085 ⁽²⁾	3,915
Expansion in range of business services	7,000	2,123 ⁽³⁾	4,877
Enhancement of technological capabilities	6,000	1,484 ⁽⁴⁾	4,516
Working capital purposes	5,280	-	5,280
	38,280	8,201	30,079

Notes:

- (1) These are mainly investment in overseas franchisees, business trips and due diligence expenses for existing or potential franchisees.
- (2) These are mainly renovation costs incurred for the new office at level 18 of HDB Hub and recruitment expenses for the real estate brokerage business.
- (3) These are mainly expenses incurred by Auction, En-Bloc, Corporate Leasing and Valuation departments as well as funding new business initiatives.
- (4) These are mainly expenses incurred for subscriptions of new software, renewal of IT software, purchases of new hardware, expansion and development cost of in-house IT team for software development.

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.

Based on URA data, 2,664 private residential properties were sold in 2Q2020, representing a 37.6% decline from the 4,269 private homes sold in 1Q2020. On a year-on-year basis, total market transactions were 44.1% down from the 4,766 units transacted in the corresponding period in 2019.

Notwithstanding the above, the Group believes that with developers set to roll out more projects with competitive prices over the next few months, private new home sales might see the post circuit breaker sales momentum to pick up for the remaining of the year. While the economic downturn could lead to some buyers postponing their buying decision, the Group believes that low interest rates and fiscal policy measures supporting businesses and individuals will broadly lend some support to housing demand and underpin sales.

The HDB resale price index has largely remained stable in 2Q2020 with prices growing marginally by 0.3% from the previous quarter. In terms of sales volume, a total of 9,319 HDB flats were transacted in 1H2020 with 3,426 in 2Q2020 and 5,893 in 1Q2020. The Group believes that the 41.9% decline in volume in 2Q2020 against 1Q2020 is not indicative of weaker demand for HDB, but rather reflect the effects of the circuit breaker and Phase 1 measures which restricted salespersons and customers from conducting property viewings. With the government allowing property viewings in Phase 2, the Group estimates HDB resale volume to be in the range of 20,000 to 22,000 for the full-year 2020, lower when compared with 23,714 units transacted in 2019.

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 (cont'd).

The Group expects the majority of the impact from the contraction of market volume during the circuit breaker period to be reflected in the Group's financial performance in the second half of the year.

Since the first social distancing measures have been introduced during the initial response to the pandemic, the Group has been proactively reaching out to consumers and salespersons via alternative online solutions. To date, the Group has conducted consumer seminars, salespersons' trainings online and virtual property expo and will continue to maximise outreach via online alternatives. The management is committed to stay engaged with the Group's stakeholders throughout the gradual reopening of the economy.

12 Dividend

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

Yes.

Name of Dividend	Interim
Dividend Type	Cash
Dividend Amount per share	1.50 cents per ordinary share
Tax Rate	Tax exempt

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

Yes.

c. Date payable for interim dividend

3 September 2020

d. Books closure date for interim dividend

23 August 2020 at 5.00 p.m.

13 If no dividend has been declared (recommended), a statement to that effect and provide the reasons for the decision not to declare/recommend any dividend.

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.

The Group does not have a general mandate from shareholders for interested person transactions.

15 Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results)

The Board of Directors hereby confirms that to the best of its knowledge, nothing has come to the attention of the Board which may render the second quarter ended 30 June 2020 unaudited financial results to be false or misleading in any material respect.

16 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)

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.

BY ORDER OF THE BOARD

Mohamed Ismail S/O Abdul Gafoore
Executive Chairman and CEO

PROPNEX LIMITED

12 August 2020