



PROPNE X LIMITED

Company Registration Number: 201801373N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020

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PROPnex LIMITED

Company Registration Number: 201801373N

UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2020 (“3Q2020” AND “9M2020”)

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 third quarter ended 30 September 2020.

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

	Group			Group		
	3Q2020 S\$'000	3Q2019 S\$'000	Change (%)	9M2020 S\$'000	9M2019 S\$'000	Change (%)
Revenue	118,469	122,519	(3.3)	360,016	288,822	24.6
Cost of services rendered	(105,180)	(109,355)	(3.8)	(319,087)	(259,394)	23.0
Gross profit	13,289	13,164	0.9	40,929	29,428	39.1
Finance income	114	293	(61.1)	631	899	(29.8)
Finance costs	(20)	(19)	5.3	(59)	(47)	25.5
Other income	1,616	1,222	32.2	5,420	4,396	23.3
Staff costs	(3,388)	(3,506)	(3.4)	(10,632)	(9,296)	14.4
Depreciation of plant and equipment	(284)	(282)	0.7	(872)	(835)	4.4
Depreciation of right-of-use assets	(666)	(666)	-	(1,993)	(2,011)	(0.9)
Amortisation of trademark	(8)	(8)	-	(23)	(23)	-
Other expenses	(1,944)	(2,082)	(6.6)	(5,413)	(6,804)	(20.4)
Gain on sale of associate	-	-	-	-	33	NM
Profit before tax	8,709	8,116	7.3	27,988	15,740	77.8
Tax expense	(1,478)	(1,503)	(1.7)	(4,777)	(2,753)	73.5
Profit for the period	7,231	6,613	9.3	23,211	12,987	78.7
Profit attributable to:						
Owners of the Company	6,756	6,111	10.6	21,595	11,815	82.8
Non-controlling interests	475	502	(5.4)	1,616	1,172	37.9
Profit for the period	7,231	6,613	9.3	23,211	12,987	78.7

NM – Not meaningful

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

	Group			Group		
	3Q2020 S\$'000	3Q2019 S\$'000	Change (%)	9M2020 S\$'000	9M2019 S\$'000	Change (%)
Profit for the period	7,231	6,613	9.3	23,211	12,987	78.7
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	<u>7,230</u>	<u>6,613</u>	<u>9.3</u>	<u>23,211</u>	<u>12,987</u>	<u>78.7</u>
Total comprehensive income attributable to:						
Owners of the Company	6,755	6,111	10.5	21,595	11,815	82.8
Non-controlling interests	475	502	(5.4)	1,616	1,172	37.9
Total comprehensive income for the period	<u>72,30</u>	<u>6,613</u>	<u>9.3</u>	<u>23,211</u>	<u>12,987</u>	<u>78.7</u>

NM – not meaningful

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

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

	Group		Group	
	3Q2020 S\$'000	3Q2019 S\$'000	9M2020 S\$'000	9M2019 S\$'000
Amortisation of trademark	8	8	23	23
Bad debts written off	-	97	140	244
Depreciation of plant and equipment	284	282	872	835
Depreciation of right-of-use assets	666	666	1,993	2,011
Foreign exchange loss/(gain)	6	4	9	(9)
Gain on disposal of plant and equipment	-	-	(1)	-
Impairment losses on trade and other receivables	247	133	339	674
Interest expense	20	19	59	47
Interest income	(114)	(293)	(631)	(899)
Plant and equipment written off	9	-	9	52

1(b)(i) Statements of Financial Position

	Group		Company	
	30 Sep 20 S\$'000	31 Dec 19 S\$'000	30 Sep 20 S\$'000	31 Dec 19 S\$'000
Assets				
Plant and equipment	2,825	3,499	2	2
Trademark	135	158	128	150
Right-of-use assets	3,719	5,320	-	-
Subsidiaries	-	-	18,098	18,098
Associates	621	-	-	-
Other investment	391	393	-	-
Deferred tax assets	1	1	1	1
Non-current assets	7,692	9,371	18,229	18,251
Trade and other receivables	81,133	63,466	3,721	6,204
Cash and cash equivalents	94,782	81,607	49,412	47,568
Total current assets	175,915	145,073	53,133	53,772
Total assets	183,607	154,444	71,362	72,023
Equity				
Share capital	57,491	57,491	57,491	57,491
Merger reserve	(17,663)	(17,663)	-	-
Translation reserve	(1)	(1)	-	-
Capital reserve	607	607	-	-
Retained earnings	36,628	28,908	11,861	8,844
Equity attributable to owners of the Company	77,062	69,342	69,352	66,335
Non-controlling interests	2,685	2,553	-	-
Total equity	79,747	71,895	69,352	66,335
Liabilities				
Deferred tax liabilities	187	187	-	-
Lease liabilities	1,492	2,859	-	-
Non-current liabilities	1,679	3,046	-	-
Trade and other payables	91,814	71,702	1,827	5,603
Current tax liabilities	7,455	4,322	183	85
Deferred income	647	994	-	-
Lease liabilities	2,265	2,485	-	-
Current liabilities	102,181	79,503	2,010	5,688
Total liabilities	103,860	82,549	2,010	5,688
Total equity and liabilities	183,607	154,444	71,362	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	
	3Q2020 S\$'000	3Q2019 S\$'000	9M2020 S\$'000	9M2019 S\$'000
Cash flows from operating activities				
Profit for the period	7,231	6,613	23,211	12,987
Adjustments for:				
Amortisation of trademark	8	8	23	23
Bad debts written off	-	97	140	244
Depreciation of plant and equipment	284	282	872	835
Depreciation of right-of-use assets	666	666	1,993	2,011
Gain on disposal of plant and equipment	-	-	(1)	-
Gain on disposal of associate	-	-	-	(33)
Impairment losses on trade and other receivables	247	133	339	674
Interest expense	20	19	59	47
Interest income	(114)	(293)	(631)	(899)
Plant and equipment written off	9	-	9	52
Tax expense	1,478	1,503	4,777	2,753
	9,829	9,028	30,791	18,694
Changes in:				
- trade and other receivables	(4,709)	(14,269)	(18,751)	347
- trade and other payables	6,260	16,695	20,112	6,838
- deferred income	(186)	91	(347)	216
Cash generated from operations	11,194	11,545	31,805	26,095
Tax paid	(1,612)	(2,543)	(1,644)	(4,974)
Net cash from operating activities	9,582	9,002	30,161	21,121
Cash flows from investing activities				
Acquisition of plant and equipment	(97)	(125)	(207)	(1,452)
Investment in other investment	-	-	(14)	-
Interest received	114	293	631	899
Proceeds from disposal of associate	-	-	-	17
Proceeds from disposal of plant and equipment	-	-	1	-
Net cash from/(used in) investing activities	17	168	411	(536)
Cash flows from financing activities				
Dividend paid to owners	(13,875)	(4,625)	(13,875)	(17,575)
Dividend paid to non-controlling interests	-	(1,972)	(1,484)	(2,047)
Interest paid	(20)	(19)	(59)	(47)
Repayment of lease liabilities	(666)	(663)	(1,979)	(1,999)
Net cash used in financing activities	(14,561)	(7,279)	(17,397)	(21,668)
Net (decrease)/increase in cash and cash equivalents	(4,962)	1,891	13,175	(1,083)
Cash and cash equivalents at beginning of the financial period	99,683	72,636	81,546	75,610
Cash and cash equivalents at end of the financial period	94,721	74,527	94,721	74,527
Additional information:				
Cash at bank and on hand	94,782	74,588	94,782	74,588
Less: bank deposits pledged	(61)	(61)	(61)	(61)
Total cash and cash equivalents	94,721	74,527	94,721	74,527

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

	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			
Group - 2020									
As at 1 January 2020	57,491	(17,663)	607	(1)	28,908	69,342	2,553	71,895	
Profit for the period	-	-	-	-	21,595	21,595	1,616	23,211	
Other comprehensive income									
– Foreign currency translation	-	-	-	-	-	-	-	-	
Total comprehensive income	-	-	-	-	21,595	21,595	1,616	23,211	
Transaction with owner, recognised directly in equity									
Distributions to owners									
Dividend paid	-	-	-	-	(13,875)	(13,875)	(1,484)	(15,359)	
Total transaction with owners of the Company	-	-	-	-	(13,875)	(13,875)	(1,484)	(15,359)	
As at 30 September 2020	57,491	(17,663)	607	(1)	36,628	77,062	2,685	79,747	

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

Group - 2019	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	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	-	-	-	-	11,815	11,815	1,172	12,987
Other comprehensive income								
- Foreign currency translation	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	11,815	11,815	1,172	12,987
Transaction with owner, recognised directly in equity								
Distributions to owners								
Dividend paid	-	-	-	-	(17,575)	(17,575)	(2,047)	(19,622)
Total transaction with owners of the Company	-	-	-	-	(17,575)	(17,575)	(2,047)	(19,622)
As at 30 September 2019	57,491	(17,663)	607	(1)	20,683	61,117	2,646	63,763

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	-	16,892	16,892
Total comprehensive income	-	16,892	16,892
Transaction with owner, recognised directly in equity			
Contribution by owners			
Dividend paid	-	(13,875)	(13,875)
Total transaction with owners of the Company	-	(13,875)	(13,875)
As at 30 September 2020	57,491	11,861	69,352
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	-	5,975	5,975
Total comprehensive income	-	5,975	5,975
Transaction with owner, recognised directly in equity			
Contribution by owners			
Dividends paid	-	(17,575)	(17,575)
Total transaction with owners of the Company	-	(17,575)	(17,575)
As at 30 September 2019	57,491	3,192	60,683

- 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 3Q2020. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 September 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 September 2020 and 31 December 2019, the Company's issued ordinary shares is 370,000,000. The Company did not have any treasury shares as at 30 September 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 or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 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 applied.

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		
	3Q2020	3Q2019	Change (%)	9M2020	9M2019	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)	1.83	1.65	10.6	5.84	3.19	82.8
- Weighted average number of shares ('000)	370,000	370,000	-	370,000	370,000	-
(ii) On a fully diluted basis (cents)	1.83	1.65	10.6	5.84	3.19	82.8
- Weighted average number of shares ('000)	370,000	370,000	-	370,000	370,000	-

7 Net Asset Value Per Share

	Group			Company		
	30 Sep 20	31 Dec 19	Change (%)	30 Sep 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)	20.83	18.74	11.1	18.74	17.93	4.5

- 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

3Q2020 vs 3Q2019

Revenue

Revenue decreased by approximately S\$4.0 million or 3.3%, from S\$122.5 million in 3Q2019 to S\$118.5 million in 3Q2020. This was mainly due to the decrease in commission income from agency services of approximately S\$10.0 million due to impact of circuit breaker. This was partially offset by increase in commission income from project marketing services of approximately S\$6.6 million driven by higher number of transactions completed in 3Q2020 following the recovery of the private residential market from the property cooling measures of July 2018 and the Group's relentless efforts in capturing market share by transforming the business to adapt to new social norms.

Cost of services

Cost of services decreased by approximately S\$4.2 million or 3.8%, from S\$109.4 million in 3Q2019 to S\$105.2 million in 3Q2020. The decrease is in tandem with the decrease in revenue.

Gross profit

As a result of the above, gross profit increased marginally by approximately S\$0.1 million or 0.9%, from S\$13.2 million in 3Q2019 to S\$13.3 million in 3Q2020. The marginal increase is due to increase in contribution from project marketing services which is a business segment with higher gross margin against agency services' resale transactions.

Finance income

Finance income decreased by approximately S\$0.2 million, from S\$0.3 million in 3Q2019 to S\$0.1 million in 3Q2020. This was mainly due to a decrease in interest income from lower fixed deposit interest rates.

Other income

Other income increased by approximately S\$0.4 million or 32.2%, from S\$1.2 million in 3Q2019 to S\$1.6 million in 3Q2020. This was mainly due to an increase of government grants amounting to approximately S\$0.4 million from the government's jobs support scheme.

Other expenses

Staff cost decreased by approximately S\$0.1 million or 3.4%, from S\$3.5 million in 3Q2019 to S\$3.4 million in 3Q2020. The decrease was mainly due to staff welfare expenses as annual staff retreat have been cancelled.

Other expenses decreased by approximately S\$0.2 million or 6.6%, from S\$2.1 million in 3Q2019 to S\$1.9 million in 3Q2020. This was mainly due to the decrease in advertising and marketing expenses by approximately S\$0.2 million partially offset with impairment loss on trade and other receivables of approximately S\$0.1 million.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately S\$0.6 million or 7.3%, from S\$8.1 million in 3Q2019 to S\$8.7 million in 3Q2020.

- 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).**

9M2020 vs 9M2019

Revenue

Revenue increased by approximately S\$71.2 million or 24.6%, from S\$288.8 million in 9M2019 to S\$360.0 million in 9M2020. This was mainly due to the increase in commission income from project marketing services of approximately S\$81.7 million driven by higher number of transactions completed in 9M2020 following the recovery of the private residential market from the property cooling measures of July 2018 and the Group's relentless efforts in capturing market share by transforming the business to adapt to new social norms. This was partially offset by decrease in commission income from agency services of approximately S\$9.5 million due to impact of circuit breaker.

Cost of services

Cost of services increased by approximately S\$59.7 million or 23.0%, from S\$259.4 million in 9M2019 to S\$319.1 million in 9M2020. The increase in commission paid to salespersons was in tandem with the increase in commission income.

Gross profit

Consequently, gross profit increased by approximately S\$11.5 million or 39.1%, from S\$29.4 million in 9M2019 to S\$40.9 million in 9M2020.

Finance income

Finance income decreased by approximately S\$0.3 million, from S\$0.9 million in 9M2019 to S\$0.6 million in 9M2020. This was mainly due to a decrease in interest income from lower fixed deposit interest rates.

Other income

Other income increased by approximately S\$1.0 million or 23.3%, from S\$4.4 million in 9M2019 to S\$5.4 million in 9M2020. This was mainly due to an increase of government grants amounting to approximately S\$1.4 million from the government's jobs support scheme and property tax rebate from landlords and an increase valuation income of approximately S\$0.4 million partially offset by a decrease in marketing and advertising fee income of approximately S\$0.8 million due to closing of sales gallery during circuit breaker period.

Other expenses

Staff cost increased by approximately S\$1.3 million or 14.4%, from S\$9.3 million in 9M2019 to S\$10.6 million in 9M2020. This was mainly due to higher provision for bonus in 9M2020 and higher salary base due to increment of salary since 3Q2019 partially offset with decrease in staff welfare expenses.

Other expenses decreased by approximately S\$1.4 million or 20.4%, from S\$6.8 million in 9M2019 to S\$5.4 million in 9M2020. 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\$0.8 million and impairment loss on trade and other receivables by approximately S\$0.3 million.

Profit before tax

As a result of the foregoing, profit before tax increased by approximately S\$12.3 million or 77.8%, from S\$15.7 million in 9M2019 to S\$28.0 million in 9M2020.

- 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).**

Tax expense

Tax expense increased by approximately S\$2.0 million or 73.5%, from S\$2.8 million in 9M2019 to S\$4.8 million in 9M2020 in line with the higher profits in 9M2020

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

Non-current assets

Non-current assets decreased by approximately S\$1.7 million or 17.9%, from S\$9.4 million as at 31 December 2019 to S\$7.7 million as at 30 September 2020. This was mainly due to the depreciation of both ROU assets as well as plant and equipment of approximately S\$2.0 million and S\$0.9 million respectively, partially offset by increase in investment in associate of approximately S\$0.6 million, additions of plant and equipment of approximately S\$0.2 million and additions of ROU assets of approximately S\$0.4 million in 9M2020.

Current assets

Trade and other receivables increased by approximately S\$17.7 million or 27.8%, from S\$63.4 million as at 31 December 2019 to S\$81.1 million as at 30 September 2020. The increase was in tandem with higher revenue recognised in 9M2020.

Cash and cash equivalents increased by approximately S\$13.2 million or 16.1%, from S\$81.6 million as at 31 December 2019 to S\$94.8 million as at 30 September 2020. The increase was mainly due to net cash generated from operating activities partially offset by dividends paid to owners and non-controlling interests.

As a result, total current assets increased by approximately S\$30.8 million or 21.3%, from S\$145.1 million as at 31 December 2019 to S\$175.9 million as at 30 September 2020.

Non-current liabilities

Non-current liabilities decreased by approximately S\$1.3 million or 44.9% from S\$3.0 million as at 31 December 2019 to S\$1.7 million as at 30 September 2020 due to reclassification of non-current lease liabilities to current lease liabilities.

Current liabilities

Trade and other payables increased by approximately S\$20.1 million or 28.0%, from S\$71.7 million as at 31 December 2019 to S\$91.8 million as at 30 September 2020. The increase was mainly due to the increase in trade payables by approximately S\$17.2 million in line with the increase in revenue as at 30 September 2020.

Current tax liabilities increased by approximately S\$3.1 million or 72.5%, from S\$4.3 million as at 31 December 2019 to S\$7.5 million as at 30 September 2020. The increase was due tax expense accrued for 9M2020.

As a result, total current liabilities increased by approximately S\$22.7 million or 28.5%, from S\$79.5 million as at 31 December 2019 to S\$102.2 million as at 30 September 2020.

Equity

The equity attributable to the owners of the Company increased by approximately S\$7.7 million or 11.1%, from S\$69.3 million as at 31 December 2019 to S\$77.0 million as at 30 September 2020 due to profit attributable to owners of the Company partially offset by dividends payable to the owners of the Company.

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

3Q2020 vs 3Q2019

The operating activities generated net cash of approximately S\$9.6 million in 3Q2020 as compared to approximately S\$9.0 million in 3Q2019. The increase was mainly due to lower tax paid of approximately S\$0.9 million partially offset by lower cash generated from operations of approximately S\$0.3 million.

Net cash from investing activities was approximately S\$0.02 million in 3Q2020 as compared to approximately S\$0.17 million in 3Q2019. This was mainly due to the decrease in interest received of approximately S\$0.18 million.

Net cash used in financing activities was approximately S\$14.6 million in 3Q2020 as compared to net cash used in financing activities of approximately S\$7.3 million in 3Q2019. This was mainly due to increase in dividends paid to owner of approximately S\$9.3 million partially offset by no dividends paid to non-controlling interests in 3Q2020 compared to approximately S\$2.0 million in 3Q2019.

As a result, there was a net decrease in cash and cash equivalents of approximately S\$5.0 million for 3Q2020 as compared to net increase of approximately S\$1.9 million for 3Q2019.

9M2020 vs 9M2019

Net cash from operating activities was approximately S\$30.1 million in 9M2020 as compared to approximately S\$21.1 million in 9M2019. The increase was mainly due to higher cash generated from operations of approximately S\$5.7 million and decrease in tax paid by approximately S\$3.3 million.

Net cash from investing activities was approximately S\$0.4 million in 9M2020 as compared to net cash used in investing activities of approximately S\$0.5 million in 9M2019. 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\$0.3 million.

Net cash used in financing activities was approximately S\$17.4 million in 9M2020 as compared to S\$21.7 million in 9M2019. This decrease was mainly due to the decrease in dividends paid to owners and non-controlling interests of approximately of approximately S\$3.7 million and S\$0.6 million respectively.

As a result, there was a net increase in cash and cash equivalents of approximately S\$13.2 million for 9M2020 as compared to net decrease of approximately S\$1.1 million for 9M2019.

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 September 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	527 ⁽¹⁾	11,473
Enhancement of real estate brokerage business	8,000	4,219 ⁽²⁾	3,781
Expansion in range of business services	7,000	2,565 ⁽³⁾	4,435
Enhancement of technological capabilities	6,000	1,711 ⁽⁴⁾	4,289
Working capital purposes	5,280	-	5,280
	38,280	9,022	29,258

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 3Q2020 URA data, overall private home prices have risen 0.8% in 3Q2020 in a consecutive quarterly increase, following the 0.3% growth in 2Q2020. Total private residential transactions jumped by 164.5% to 7,047 units in 3Q2020. This took the total private home sales to 13,980 units in the first nine months of 2020. While buying interest remains keen, the Group is closely monitoring the effects of tightening controls on the re-issuance of options-to-purchase which could temper new home sales volume in 4Q2020.

Nevertheless, the Group believes that private homes transaction volume for the full year 2020 is still expected to be strong, supported by healthy demand for resale homes, HDB upgraders and low interest rates. The Group estimates that a total of 19,500 private homes could be sold in 2020, exceeding the 19,150 units transacted in 2019. Demand remains resilient mainly due to relatively attractive pricing by developers and low interest rates. Post circuit breaker demand is mainly driven by domestic buyers.

Demand for HDB resale flats is also expected to remain robust, owing in part to the new housing grants unveiled in September 2019 and Build-To-Order (“**BTO**”) completion delays possibly diverting some buyers to the resale market. In 3Q2020, the HDB resale price index has increased by 1.5%, the Group estimates that the HDB resale price index could rise by a total of 2% to 3% by the end of 2020. In terms of sales volume, HDB transactions has seen a strong rebound in 3Q2020 with 7,787 transactions after lifting of circuit breaker measures during 2Q2020. Year-to-date, there are a total of 17,106 transactions for 9M2020. The Group estimates that the total volume of transactions for HDB resale flats could hit over 23,000 for full year 2020 as compared to 23,714 transactions in 2019.

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 a virtual property expo in July and is currently conducting a second virtual property expo in collaboration with Mediacorp and 99.co, namely, the Singapore Property Show 2020 (“**SPS2020**”). 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?

No.

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

No.

(c) Date payable for interim dividend

Not applicable.

(d) Books closure date for interim dividend

Not applicable.

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

No dividend has been declared for the period ended 30 September 2020. As per the Company’s dividend policy, the Company intends to recommend and distribute dividends of at least 50% of the Group’s announced profit attributable to the owners of the Company semi-annually. The dividend policy may be subject to modification (including reduction or non-declaration thereof) at the Board’s sole discretion taking into account appropriate factors.

- 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 third quarter ended 30 September 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 November 2020