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SINGAPORE

PROPNEX LIMITED

Company Registration Number: 201801373N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

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PROPNEX LIMITED
Company Registration Number: 201801373N

UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2018

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 and nine months ended 30 September 2018.

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

	Group					
	3Q 2018 S$'000	3Q 2017 S$'000 Restated^	Change (%)	**9M 2018 S$'000**	9M 2017 S$'000 Restated^	Change (%)
Revenue	124,176	98,539	26.0	348,540	232,541	49.9
Cost of services rendered	(110,498)	(89,032)	24.1	(314,894)	(208,957)	50.7
Finance income	267	32	734.4	409	66	519.7
Other income	756	653	15.8	2,751	2,067	33.1
Staff costs	(2,679)	(1,872)	43.1	(7,469)	(5,438)	37.3
Depreciation of plant and equipment	(190)	(87)	118.4	(531)	(244)	117.6
Amortisation of trademark	(8)	-	NM	(23)	-	NM
IPO expenses	-	-	NM	(1,113)	-	NM
Other expenses	(1,458)	(1,454)	0.3	(3,392)	(4,166)	(18.6)
Profit before tax	10,366	6,779	52.9	24,278	15,869	53.0
Tax expense	(2,031)	(924)	119.8	(4,215)	(2,124)	98.4
Profit for the period	8,335	5,855	42.4	20,063	13,745	46.0
Profit attributable to:						
Owners of the Company	7,208	5,092	41.6	17,582	11,947	47.2
Non-controlling interests	1,127	763	47.7	2,481	1,798	38.0
Profit for the period	8,335	5,855	42.4	20,063	13,745	46.0

^ The reasons for the restatement is disclosed in Note 5.

NM – Not meaningful

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

	Group					
	3Q 2018 S$'000	3Q 2017 S$'000	Change (%)	**9M 2018 S$'000**	9M 2017 S$'000	Change (%)
Profit for the period	8,335	5,855	42.4	20,063	13,745	46.0
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	1	NM	-	-	NM
Other comprehensive income for the period, net of tax	1	1	NM	-	-	NM
Total comprehensive income for the period	8,336	5,856	42.3	20,063	13,745	46.0
Total comprehensive income attributable to:						
Owners of the Company	7,209	5,093	41.5	17,582	11,947	47.2
Non-controlling interests	1,127	763	47.7	2,481	1,798	38.0
Total comprehensive income for the period	8,336	5,856	42.3	20,063	13,745	46.0

NM – not meaningful

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

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

	Group			
	3Q 2018 S$'000	3Q 2017 S$'000	**9M 2018 S$'000**	9M 2017 S$'000
Profit for the period is determined after (crediting)/charging the following:				
Interest income	(267)	(32)	(409)	(66)
Amortisation of trademark	8	-	23	-
Bad debts written off	1	-	2	250
Depreciation of plant and equipment	190	87	531	244
Foreign exchange loss/(gain)	2	2	14	(1)
Impairment losses/(Reversal of impairment loss) on trade and other receivables	190	(275)	46	609
Loss on disposal of property, plant and equipment	-	-	3	1
Plant and equipment written off	-	-	34	-
Over provision of prior years' tax	-	-	-	(5)

1(b)(i) Statements of Financial Position

	Group			Company
	30-Sep-18	31-Dec-17	1-Jan-17	**30-Sep-18***
	S$'000	S$'000	S$'000	**S$'000**
		Restated^	Restated^	
Assets				
Plant and equipment	2,069	1,747	683	-
Trademark	195	8	8	188
Investment in subsidiaries	-	-	-	18,098
Non-current assets	2,264	1,755	691	18,286
Trade and other receivables	79,321	62,926	34,025	1,528
Cash and cash equivalents	76,204	27,676	16,130	38,922
Total current assets	155,525	90,602	50,155	40,450
Total assets	157,789	92,357	50,846	58,736
Equity				
Share capital	57,491	435	435	57,491
Merger reserve	(17,663)	-	-	-
Translation reserve	(1)	(1)	-	-
Capital reserve	607	607	607	-
Accumulated profits/(losses)	24,613	17,057	10,480	(863)
Equity attributable to owners of the Company	65,047	18,098	11,522	56,628
Non-controlling interests	3,477	3,062	1,510	-
Total equity	68,524	21,160	13,032	56,628
Liabilities				
Deferred tax liability	210	144	31	-
Non-current liability	210	144	31	-
Trade and other payables	83,682	67,211	36,001	2,046
Current tax liabilities	4,311	3,194	1,160	62
Deferred income	1,062	648	622	-
Current liabilities	89,055	71,053	37,783	2,108
Total liabilities	89,265	71,197	37,814	2,108
Total equity and liabilities	157,789	92,357	50,846	58,736

^ The reasons for the restatement is disclosed in Note 5.
* No comparative figures were presented as the Company was incorporated on 10 January 2018.

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			
	3Q 2018 S$'000	3Q 2017 S$'000	**9M 2018 S$'000**	9M 2017 S$'000
Cash flows from operating activities				
Profit for the year	8,335	5,855	20,063	13,745
Adjustments for:				
Amortisation of trademark	8	-	23	-
Bad debts written off	1	-	2	250
Depreciation of plant and equipment	190	87	531	244
Impairment losses/(Reversal of impairment losses) on trade and other receivables	190	(275)	46	609
Interest income	(267)	(32)	(409)	(66)
Loss on disposal of plant and equipment	-	-	3	1
Plant and equipment written off	-	-	34	-
Tax expense	2,031	924	4,215	2,124
	10,488	6,559	24,508	16,907
Changes in:				
- trade and other receivables	596	(14,157)	(15,019)	(31,927)
- trade and other payables	(2,283)	14,797	16,471	34,986
- deferred income	24	217	414	31
Cash generated from operations	8,825	7,416	26,374	19,997
Tax paid	(1,623)	(475)	(3,248)	(1,054)
Net cash from operating activities	7,202	6,941	23,126	18,943
Cash flows from investing activities				
Acquisition of plant and equipment	(218)	(89)	(902)	(278)
Acquisition of trademark	-	-	(210)	-
Interest received	267	32	409	66
Proceeds from sale of plant and equipment	-	-	12	2
Net cash from/(used in) investing activities	49	(57)	(691)	(210)
Cash flows from financing activities				
Dividends paid to owners	-	(1,552)	(11,228)	(9,696)
Dividends paid to non-controlling interests	-	-	(2,072)	(1,061)
Share issuance expenses	-	-	(1,492)	-
Proceeds from issue of IPO shares	40,885	-	40,885	-
Net cash from/(used in) financing activities	40,885	(1,552)	26,093	(10,757)
Net increase in cash and cash equivalents	48,136	5,332	48,528	7,976
Cash and cash equivalents at beginning of the financial period	28,007	18,713	27,615	16,069
Cash and cash equivalents at end of the financial period	76,143	24,045	76,143	24,045
Additional information:				
Cash at bank and on hand	76,204	24,106	76,204	24,106
Less: bank deposits pledged	(61)	(61)	(61)	(61)
Total cash and cash equivalents	76,143	24,045	76,143	24,045

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

GROUP - 2018	Share capital S$'000	Merger reserve S$'000	Capital reserve S$'000	Foreign currency translation reserve S$'000	Accumulated profits S$'000	Total S$'000	Non-controlling interest S$'000	Total equity S$'000
	Attributable to owners of the Company							
As at 1 January 2018								
– As previously reported	435	-	607	11	17,045	18,098	3,062	21,160
– Effect of SFRS(I) 1^	-	-	-	(12)	12	-	-	-
– Effect of SFRS(I) 9^	-	-	-	-	1,202	1,202	6	1,208
As at 1 January 2018	435	-	607	(1)	18,259	19,300	3,068	22,368
Profit for the period	-	-	-	-	17,582	17,582	2,481	20,063
Other comprehensive income								
– Foreign currency translation	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	17,582	17,582	2,481	20,063
Transaction with owner, recognised directly in equity								
Distributions to owners								
Dividend paid	-	-	-	-	(11,228)	(11,228)	(2,072)	(13,300)
Total transaction with owners of the Company	-	-	-	-	(11,228)	(11,228)	(2,072)	(13,300)
Contribution by owners								
Adjustment from restructuring exercise*	17,663	(17,663)	-	-	-	-	-	-
Issuance of new shares	40,885	-	-	-	-	40,885	-	40,885
Share issuance expenses	(1,492)	-	-	-	-	(1,492)	-	(1,492)
	57,056	(17,663)	-	-	-	39,393	-	39,393
As at 30 September 2018	57,491	(17,663)	607	(1)	24,613	65,047	3,477	68,524

* Merger reserve represent the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of shares of subsidiaries acquired during the restructuring exercise, which is accounted for as a business combination under common control.

^ The reasons for the restatement is disclosed in Note 5.

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

GROUP - 2017	Share capital S$'000	Capital reserve S$'000	Foreign currency translation reserve S$'000	Accumulated profits S$'000	Total S$'000	Non-controlling interest S$'000	Total equity S$'000
	Attributable to owners of the Company						
As at 1 January 2017							
– As previously reported	435	607	12	10,468	11,522	1,510	13,032
– Effect of SFRS(I) 1^	-	-	(12)	12	-	-	-
As at 1 January 2017	435	607	-	10,480	11,522	1,510	13,032
Profit for the period	-	-	-	11,947	11,947	1,798	13,745
Other comprehensive income							
– Foreign currency translation	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	11,947	11,947	1,798	13,745
Transaction with owner, recognised directly in equity							
Distributions to owners							
Dividend paid	-	-	-	(9,696)	(9,696)	(1,061)	(10,757)
Total transaction with owners of the Company	-	-	-	(9,696)	(9,696)	(1,061)	(10,757)
As at 30 September 2017	435	607	-	12,731	13,773	2,247	16,020

^ The reasons for the restatement is disclosed in Note 5.

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

COMPANY - 2018	Attributable to owners of the Company		
	Share capital	Accumulated losses	Total equity
	S$'000	S$'000	S$'000
As at 10 January 2018 (date of incorporation)	-*	-	-
Loss for the period	-	(863)	(863)
Total comprehensive income	-	(863)	(863)
Transaction with owner, recognised directly in equity			
Contribution by owners			
Adjustment from restructuring exercise	18,098	-	18,098
Issuance of new shares	40,885	-	40,885
Share issuance expenses	(1,492)	-	(1,492)
	57,491	-	57,491
As at 30 September 2018	57,491	(863)	56,628

* The Company was incorporated on 10 January 2018 with an issued and paid up capital of S$1.

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 2017 are as follow:

	Group		Company	
	No. of shares	S$	No. of shares	S$
As at 1 January 2018	450,002	435,002	-	-
Incorporation of the Company on 10 January 2018	1	1	1	1
Adjustment arising restructuring exercise	306,649,997	17,663,164	307,099,999	18,098,166
Issuance of new shares	62,900,000	40,885,000	62,900,000	40,885,000
Share issuance expenses	-	(1,492,438)	-	(1,492,438)
As at 30 September 2018	370,000,000	57,490,729	370,000,000	57,490,729

There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 September 2018 and 31 December 2017.

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 2018, the Company's issued ordinary shares, excluding treasury shares, is 370,000,000. The Company did not have any treasury shares as at 30 September 2018. There are no comparative figures as at 31 December 2017 as the Company was incorporated on 10 January 2018.

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 for the year ended 31 December 2017.

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.

Full convergence with Singapore Financial Reporting Standards (International) ("SFRS(I)") and adoption of new standards

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

The Group has adopted SFRS(I) on 1 January 2018. In addition to the adoption of the new framework, the Group concurrently applies the new SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

The Group does not expect the application of the new standards and interpretations to have a significant impact on the financial statements, except for SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

In adopting SFRS(I) in 2018, the Group applied the transition requirement in SFRS(I) 1 with 1 January 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 31 December 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the new mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

Foreign currency translation reserve ("FCTR")

The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for its foreign operation to nil at date of transition, and reclassified the cumulative of FCTR of S$11,645 as at 1 January 2017 determined in accordance with FRS to the retained earnings. After the date of transition, any gain or loss on disposal of its foreign operation will exclude translation differences that arose before the date of transition.

By electing this optional exemption, the cumulative FCTR decreased by S$11,645 and retained earnings increased by the same amount as at 31 December 2017.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively and the information presented for 2017 has been restated.

The expected impact upon the adoption of SFRS(I) 15 are described below.

The Group enters into certain co-broking arrangements with co-brokers in the provision of real estate agency services and real estate project marketing services. The commission income was recognised on the gross basis under the current risk-and-reward approach in 2017. The Group has assessed the co-broking arrangement with co-brokers to determine whether the Group is acting as an agent or a principal under the new transfer-of-control approach. The Group recognises the commission income with co-broking arrangements on a net basis under SFRS(I) 15 as the Group is able to control the extent of its performance obligation to services its customers but unable to entirely control or satisfy the performance obligations by the third party co-brokers.

The expected impact on the comparative figures is as follows:

	3Q 2017			9M 2017		
	Previous framework S$'000	**SFRS(I) 15 adjustment S$'000**	**SFRS(I) Framework S$'000**	**Previous framework S$'000**	**SFRS(I) 15 adjustment S$'000**	**SFRS(I) Framework S$'000**
Revenue	107,231	(8,692)	98,539	252,255	(19,714)	232,541
Cost of sales	(97,724)	8,692	(89,032)	(228,671)	19,714	(208,957)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments sets out* requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new "expected credit loss" ("ECL") model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 January 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2017. Accordingly, the information presented for 2017 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement.* Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognized in retained earnings as at 1 January 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I). Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative period.

The impact on adoption of SFRS(I) 9 are described below.

Impairment

The Group's financial assets consist of loans and receivables that were classified as loans and receivables under FRS 39 are now reclassified at amortised cost.

SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortised cost. Under SFRS(I) 9, the Group's loss allowances are measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; or
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group applied the simplified approach and record lifetime ECL on all trade receivables. For the non-trade receivables, the Group applied the general approach and record 12-month ECL on non-trade receivables. Based on the assessment, the Group recorded a decrease of impairment for trade and other receivables of S$1,424,214 and an increase of deferred tax liabilities of S$216,463 as at 1 January 2018, with a net adjustment of S$1,201,707 to the opening retained earnings as at 1 January 2018.

6 Earnings Per Ordinary Share

Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:	Group					
	3Q 2018	3Q 2017	Change (%)	**9M 2018**	9M 2017	Change (%)
(i) Based on the weighted average number of shares (cents)	1.95	1.66	17.5	5.35	3.89	37.5
- Weighted average number of shares ('000)	370,000	307,100		328,758	307,100	
(ii) On a fully diluted basis (cents)	1.95	1.66	17.5	5.35	3.89	37.5
- Adjusted weighted average number of shares ('000)	370,000	307,100		328,758	307,100	

Note: For comparative purposes, the basic/diluted earnings per share have been computed based on the share capital assuming the restructuring exercise was effected.

7 Net Asset Value Per Share

	Group			Company
	30-Sep-18	31-Dec-17	Change (%)	**30-Sep-18**
Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents)	17.58	5.89	198.5	15.30

Note: For comparative purposes, the net asset value per share have been computed based on the share capital assuming the restructuring exercise was effected.

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

3Q2018 vs 3Q2017

Revenue
Revenue increased by approximately S$25.7 million or 26.0%, from S$98.5 million in 3Q2017 to S$124.2 million in 3Q2018. This was mainly due to the increase in commission income from agency services of approximately S$21.4 million or 35.5%, from S$60.2 million in 3Q2017 to S$81.6 million in 3Q2018 and the increase in commission income from project marketing services of approximately S$3.6 million or 9.9%, from S$36.9 million in 3Q2017 to S$40.5 million in 3Q2018. The increase in commission income from agency services and project marketing services was the result of our growth in the sales force and improved salespersons' productivity.

Cost of services
Cost of services increased by approximately S$21.5 million or 24.1%, from S$89.0 million in 3Q2017 to S$110.5 million in 3Q2018. The increase in commission cost to our salespersons is in tandem with the increase in our commission income.

Gross profit
Gross profit increased by approximately S$4.2 million or 43.9%, from S$9.5 million in 3Q2017 to S$13.7 million in 3Q2018. This was mainly attributed to the increase in contribution from both the agency services and project marketing services.

Finance income
Finance income increased by approximately S$0.24 million, from S$0.03 million in 3Q2017 to S$0.27 million in 3Q2018. This is mainly due to an increase in overall fixed deposit and bank balances of approximately S$52.1 million from S$24.1 million in 3Q2017 to S$76.2 million in 3Q2018. The increase in the overall fixed deposit and bank balances is due to net IPO proceeds of approximately S$38.3 million received after deducting IPO related expenses.

Other income
Other income increased by approximately S$0.11 million or 15.8%, from S$0.65 million in 3Q2017 to S$0.76 million in 3Q2018. This was due to an increase in referral fee income of approximately S$0.05 million from S$0.36 million in 3Q2017 to S$0.41 million in 3Q2018, an increase in sponsorship income of approximately S$0.01 million from S$0.03 million in 3Q2017 to S$0.04 million in 3Q2018 and an increase in training and seminar income of approximately S$0.03 million from S$0.03 million in 3Q2017 to S$0.06 million in 3Q2018.

Operating expenses
Staff cost increased by approximately S$0.8 million or 43.1%, from S$1.9 million in 3Q2017 to S$2.7 million in 3Q2018. This was mainly due an increase in payroll and staff-related expenses as well as increase in our average staff headcount from 147 in 3Q2017 to 165 in 3Q2018.

Depreciation of plant and equipment increased by approximately S$0.1 million or 118.4%, from S$0.1 million in 3Q2017 to S$0.2 million in 3Q2018.

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).

Amortisation of trademark increased by approximately S$7,500 was mainly due to acquisition of P&N trademarks from P&N Holdings Pte Ltd in 1Q2018 for a consideration of S$0.2 million.

There is no significant change to other expenses in 3Q2018 as compared to 3Q2017.

Profit before tax
As a result of the foregoing, profit before tax increased by approximately S$3.6 million or 52.9%, from S$6.8 million in 3Q2017 to S$10.4 million in 3Q2018.

Tax expense
Tax expense increased by approximately S$1.1 million or 119.8%, from S$0.9 million in 3Q2017 to S$2.0 million in 3Q2018. This was in line with the higher profit in 3Q2018.

9M2018 vs 9M2017

Revenue
Revenue increased by approximately S$116.0 million or 49.9%, from S$232.5 million in 9M2017 to S$348.5 million in 9M2018. This was mainly due to the increase in commission income from agency services of approximately S$88.6 million or 59.8%, from S$148.2 million in 9M2017 to S$236.8 million in 9M2018 and the increase in commission income from project marketing services of approximately S$26.5 million or 33.1%, from S$80.2 million in 9M2017 to S$106.7 million in 9M2018. The increase in commission income from agency services and project marketing services was the result of our growth in the sales force and improved salespersons' productivity.

Cost of services
Cost of services increased by approximately S$105.9 million or 50.7%, from S$209.0 million in 9M2017 to S$314.9 million in 9M2018. The increase in commission cost to our salespersons is in tandem with the increase in our commission income.

Gross profit
Gross profit increased by approximately S$10.0 million or 42.7%, from S$23.6 million in 9M2017 to S$33.6 million in 9M2018. This was mainly attributed to the increase in contribution from both the agency services and project marketing services.

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

Finance income
Finance income increased by approximately S$0.3 million from S$0.07 million in 9M2017 to S$0.4 million in 9M2018. This is mainly due to an increase in overall fixed deposit and bank balances of approximately S$52.1 million from S$24.1 million in 9M2017 to S$76.2 million in 9M2018. The increase in the overall fixed deposit and bank balances is due to net IPO proceeds of approximately S$38.3 million received after deducting IPO related expenses.

Other income
Other income increased by approximately S$0.7 million or 33.1%, from S$2.1 million in 9M2017 to S$2.8 million in 9M2018. This was primarily due to an increase in referral fee income of approximately S$0.3 million from S$0.9 million in 9M2017 to S$1.2 million in 9M2018, an increase in sponsorship income of approximately S$0.04 million from S$0.12 million in 9M2017 to S$0.16 million in 9M2018 and an increase in training and seminar income of approximately S$0.2 million from S$0.1 million in 9M2017 to S$0.3 million in 9M2018.

Operating expenses
Staff cost increased by approximately S$2.1 million or 37.3%, from S$5.4 million in 9M2017 to S$7.5 million in 9M2018. This was mainly due an increase in payroll and staff-related expenses as well as increase in our average staff headcount from 146 in 9M2017 to 163 in 9M2018.

Depreciation of plant and equipment increased by approximately S$0.3 million or 117.6%, from S$0.2 million in 9M2017 to S$0.5 million in 9M2018.

Amortisation of trademark increased by approximately S$22,500 was mainly due to acquisition of P&N trademarks from P&N Holdings Pte Ltd in 9M2018 for a consideration of S$0.2 million.

IPO expenses amounted to approximately S$1.1 million was expensed off during the period 9M2018.

Other expenses decreased by approximately S$0.8 million or 18.6%, from S$4.2 million in 9M2017 to S$3.4 million in 9M2018. The decrease is mainly due to an assignment fee of S$0.7 million in 9M2017.

Profit before tax
As a result of the foregoing and one-off IPO expenses of S$1.1 million, profit before tax increased by approximately S$8.4 million or 53.0%, from S$15.9 million in 9M2017 to S$24.3 million in 9M2018.

Tax expense
Tax expense increased by approximately S$2.1 million or 98.4%, from S$2.1 million in 9M2017 to S$4.2 million in 9M2018. This was in line with the higher profit in 9M2018.

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).

<u>Statements of Financial Position Review (as at 30 September 2018 compared to 31 December 2017)</u>

Non-current assets

Non-current assets increased by approximately S$0.5 million or 29.0%, from S$1.8 million as at 31 December 2017 to S$2.3 million as at 30 September 2018. This was due to acquisition of plant and equipment of S$0.9 million in 9M2018 and acquisition of P&N trademarks from P&N Holdings Pte Ltd in January 2018 for a consideration of S$0.2 million, offset partially by depreciation of plant and equipment and amortisation of trademark totaling of S$0.6 million in 9M2018.

Current assets

Trade and other receivables increased by approximately S$16.4 million or 26.1%, from S$62.9 million as at 31 December 2017 to S$79.3 million as at 30 September 2018. The increase in tandem with higher commission income from real estate agency services and project marketing services in 3Q2018 compared to 4Q2017.

Cash and cash equivalents increased by approximately S$48.5 million or 175.3%, from S$27.7 million as at 31 December 2017 to S$76.2 million as at 30 September 2018. The increase is mainly due to net proceeds of S$38.3 million from the IPO.

As a result, total current assets increased by approximately S$64.9 million or 71.7%, from S$90.6 million as at 31 December 2017 to S$155.5 million as at 30 September 2018.

Non-current liabilities

Non-current liabilities increased by approximately S$0.07 million or 45.8% from S$0.14 million 31 December 2017 to S$0.21 million as at 30 September 2018.

Current liabilities

Trade and other payables increased by approximately S$16.5 million or 24.5%, from S$67.2 million as at 31 December 2017 to S$83.7 million as at 30 September 2018. This was in line with the increase in trade receivables at the corresponding dates.

Current tax liabilities increased by approximately S$1.1 million or 35.0%, from S$3.2 million as at 31 December 2017 to S$4.3 million as at 30 September 2018. This was mainly due to higher profit in 9M2018.

Deferred income increased by approximately S$0.5 million or 63.9%, from S$0.6 million as at 31 December 2017 to S$1.1 million as at 30 September 2018 respectively.

As a result, total current liabilities increased by approximately S$18.0 million or 25.3%, from S$71.1 million as at 31 December 2017 to S$89.1 million as at 30 September 2018.

Equity

The equity attributable to the owners of the Company increased by approximately S$46.9 million or 259.4%, from S$18.1 million as at 31 December 2017 to S$65.0 million as at 30 September 2018. The increase was mainly attributable to the profit for 9M2018 of S$17.6 million, issuance of new shares of S$40.9 million and effects of new standards of S$1.2 million, offset by dividends payment of approximately S$11.2 million and share issuance expenses of S$1.5 million in 9M2018.

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

3Q2018 vs 3Q2017

Net cash generated from operating activities was approximately S$6.9 million in 3Q2017 as compared to approximately S$7.2 million in 3Q2018. The increase was mainly due to higher cash flows from operating activities, partially offset by higher income tax paid in 3Q2018.

Net cash used in investing activities was approximately S$0.06 million in 3Q2017 as compared to net cash from investing activities approximately of S$0.05 million in 3Q2018. The increase was mainly due to an increase in interest income of approximately S$0.24 million in 3Q2018, offset by increase in acquisition of plant and equipment of approximately S$0.13 million.

Net cash used in financing activities was approximately S$1.6 million in 3Q2017 as compared to net cash from financing activities of approximately S$40.9 million in 3Q2018. The increase was mainly due to proceeds received from the issue of IPO shares.

As a result, there was a net increase in cash and cash equivalents of approximately S$5.3 million for 3Q2017 as compared to net increase of approximately S$48.1 million for 3Q2018.

9M2018 vs 9M2017

Net cash generated from operating activities was approximately S$18.9 million in 9M2017 as compared to approximately S$23.1 million in 9M2018. The increase was mainly due to higher cash flows from operating activities, partially offset by higher income tax paid in 3Q2018.

Net cash used in investing activities was approximately S$0.2 million in 9M2017 as compared to approximately S$0.7 million in 9M2018. The increase was mainly due to an increase acquisition of plant and equipment of approximately S$0.6 million and acquisition of P&N trademarks of approximately S$0.2 million offset by an interest income of approximately S$0.4 million in 9M2018.

Net cash used in financing activities was approximately S$10.8 million in 9M2017 as compared to net cash from financing activities of approximately S$26.1 million in 9M2018. The increase was mainly due to proceeds received from the issue of IPO shares of S$40.9 million offset by an increase in dividends paid to owners of approximately S$1.5 million, increase in dividends paid to non-controlling interests of approximately S$1.0 million and share issuance expenses of approximately S$1.5 million in 9M2018.

As a result, there was a net increase in cash and cash equivalents of approximately S$8.0 million for 9M2017 as compared to an increase of approximately S$48.5 million for 9M2018.

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**") after deducting IPO expenses of approximately S$2.6 million, of which approximately S$1.5 million was capitalised against share capital and approximately S$1.1 million was expensed off in the profit or loss. The Board wishes to provide an update on the use of Net Proceeds.

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	14[(2)]	11,986
Enhancement of real estate brokerage business	8,000	38[(3)]	7,962
Expansion in range of business services	7,000	141[(4)]	6,859
Enhancement of technological capabilities	6,000	51[(5)]	5,949
Working capital purposes	5,300[(1)]	-	5,300
	38,300	244	38,056

Notes:

(1) As disclosed in the prospectus dated 25 June 2018 in connection with the IPO (the "**Prospectus**"), IPO expenses was estimated to be S$2.9 million. As at 30 September 2018, actual IPO expenses recorded was approximately S$2.6 million. The unused IPO expenses of approximately S$0.3 million has been reallocated for working capital purposes.

(2) These are mainly business trip expenses to franchisees and due diligence expenses on the Vietnam franchisee.

(3) These are mainly recruitment expenses for the real estate brokerage business.

(4) These are mainly expenses incurred by Auction and En Bloc departments that are newly formed in 2018.

(5) These are mainly expenses incurred for subscriptions of new software, renewal of IT software and purchases of new hardware.

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 Group remains positive with the residential real estate market despite the announcement of the latest cooling measures in July 2018.

In the first 9 months of 2018, private residential market (according to URA) recorded a transactional volume of 18,279 compared to 18,800 in 2017, a small dip of 2.7% year-on-year. The Group expects the demand for private residential market in 2019 to be similar to 2018, attributed by the demand from en bloc owners who have collected their proceeds and in the continued search for their replacement homes.

Additionally, PropNex has been appointed for another 24 new projects, with approximately 10,000 units earmarked to be launched in 2019. This strongly demonstrates the confidence among developers in the Group’s salesforce. The anticipated line-up of another 25 government land bids and collective sales secured by developers in 2017/18 also provide the Group opportunities in the private new homes segment.

On the public housing front, the HDB resale market is reflecting continuous demand. Based on statistics from HDB, the HDB resale segment witnessed a record number of 7,063 transactions in 3Q2018, the highest figure since 3Q2010. We foresee that transactions for the public housing resale segment to witness positive growth.

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.

No dividend has been declared for the period ended 30 September 2018.

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 and nine months ended 30 September 2018 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

13 November 2018

UOB Kay Hian. is the sole issue manager of the initial public offering and listing of Propnex Limited. UOB Kay Hian. assumes no responsibility for the contents of this announcement.