



Service You Trust  
SINGAPORE

**PROPNE X LIMITED**

**Company Registration Number: 201801373N**

**FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019**

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**PROPnex LIMITED**

Company Registration Number: 201801373N

**UNAUDITED RESULTS FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2019**

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 first quarter ended 30 June 2019.

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

	<b>Group</b>			<b>Group</b>		
	<b>2Q 2019</b> <b>S\$'000</b>	<b>2Q 2018</b> <b>S\$'000</b>	<b>Change</b> <b>(%)</b>	<b>1H 2019</b> <b>S\$'000</b>	<b>1H 2018</b> <b>S\$'000</b>	<b>Change</b> <b>(%)</b>
Revenue	92,093	121,615	(24.3)	166,303	224,364	(25.9)
Cost of services rendered	(82,720)	(112,601)	(26.5)	(149,598)	(204,396)	(26.8)
Gross profits	9,373	9,014	4.0	16,705	19,968	(16.3)
Finance income	293	91	222.0	606	142	326.8
Finance costs	(16)	-	NM	(28)	-	NM
Other income	1,394	1,041	33.9	2,733	1,995	37.0
Staff costs	(2,634)	(2,350)	12.1	(5,790)	(4,790)	20.9
Depreciation of plant and equipment	(283)	(177)	59.9	(553)	(341)	62.2
Depreciation of right-of-use assets	(673)	-	NM	(1,345)	-	NM
Amortisation of trademark	(8)	(8)	-	(15)	(15)	-
IPO expenses	-	(1,113)	NM	-	(1,113)	NM
Other expenses	(2,618)	(806)	224.8	(4,722)	(1,934)	144.2
Gain on derecognition of investment in associate	33	-	NM	33	-	NM
<b>Profit before tax</b>	<b>4,861</b>	<b>5,692</b>	<b>(14.6)</b>	<b>7,624</b>	<b>13,912</b>	<b>(45.2)</b>
Tax expense	(823)	(962)	(14.4)	(1,250)	(2,184)	(42.8)
<b>Profit for the period</b>	<b>4,038</b>	<b>4,730</b>	<b>(14.6)</b>	<b>6,374</b>	<b>11,728</b>	<b>(45.7)</b>
<b>Profit attributable to:</b>						
Owners of the Company	3,704	4,204	(11.9)	5,704	10,374	(45.0)
Non-controlling interests	334	526	(36.5)	670	1,354	(50.5)
<b>Profit for the period</b>	<b>4,038</b>	<b>4,730</b>	<b>(14.6)</b>	<b>6,374</b>	<b>11,728</b>	<b>(45.7)</b>

NM – Not meaningful

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

	Group			Group		
	2Q 2019 S\$'000	2Q 2018 S\$'000	Change (%)	1H 2019 S\$'000	1H 2018 S\$'000	Change (%)
<b>Profit for the period</b>	4,038	4,730	(14.6)	6,374	11,728	(45.7)
<b>Other comprehensive income, net of tax</b>						
<b>Items that are or may be reclassified subsequently to profit or loss:</b>						
Foreign currency translation differences - foreign operation	-	(1)	NM	-	(1)	NM
<b>Other comprehensive income for the period, net of tax</b>	-	(1)	NM	-	(1)	NM
<b>Total comprehensive income for the period</b>	4,038	4,729	(14.6)	6,374	11,727	(45.6)
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	3,704	4,203	(11.9)	5,704	10,373	(45.0)
Non-controlling interests	334	526	(36.5)	670	1,354	(50.5)
<b>Total comprehensive income for the period</b>	4,038	4,729	(14.6)	6,374	11,727	(45.6)

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	
	2Q 2019 S\$'000	2Q 2018 S\$'000	1H 2019 S\$'000	1H 2018 S\$'000
<b>Profit for the period is derived after (crediting)/charging the following:</b>				
Amortisation of trademark	8	8	15	15
Bad debts written off	76	-	147	1
Depreciation of plant and equipment	283	177	553	341
Depreciation of right-of-use assets	673	-	1,345	-
Foreign exchange loss/(gain)	-	10	(13)	12
Impairment losses/(Reversal of impairment loss) on trade and other receivables	386	(49)	541	(144)
Interest expense	16	-	28	-
Interest income	(293)	(91)	(606)	(142)
Loss on disposal of plant and equipment	-	3	-	3
Plant and equipment written off	18	-	52	34

## 1(b)(i) Statements of Financial Position

	Group		Company	
	30-Jun-19 S\$'000	31-Dec-18 S\$'000	30-Jun-19 S\$'000	31-Dec-18 S\$'000
<b>Assets</b>				
Plant and equipment	3,516	2,794	1	-
Trademark	173	188	165	180
Right-of-use assets	2,488	-	-	-
Subsidiaries	-	-	18,098	18,098
Associates	-	-	-	-
Other investment	16	-	-	-
Deferred tax assets	1	1	1	1
<b>Non-current assets</b>	6,194	2,983	18,265	18,279
Trade and other receivables	48,154	63,458	2,709	18,017
Cash and cash equivalents	72,697	75,671	40,377	39,139
<b>Total current assets</b>	120,851	139,129	43,086	57,156
<b>Total assets</b>	127,045	142,112	61,351	75,435
<b>Equity</b>				
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	19,197	26,443	2,522	14,792
<b>Equity attributable to owners of the Company</b>	59,631	66,877	60,013	72,283
Non-controlling interests	4,116	3,521	-	-
<b>Total equity</b>	63,747	70,398	60,013	72,283
<b>Liabilities</b>				
Deferred tax liabilities	167	169	-	-
Lease liabilities	1,118	-	-	-
<b>Non-current liabilities</b>	1,285	169	-	-
Trade and other payables	55,904	65,761	1,172	3,016
Current tax liabilities	3,677	4,856	166	136
Deferred income	1,053	928	-	-
Lease liabilities	1,379	-	-	-
<b>Current liabilities</b>	62,013	71,545	1,338	3,152
<b>Total liabilities</b>	63,298	71,714	1,338	3,152
<b>Total equity and liabilities</b>	127,045	142,112	61,351	75,435

**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

	<b>Group</b>		<b>Group</b>	
	<b>2Q 2019</b>	2Q 2018	<b>1H 2019</b>	1H 2018
	<b>S\$'000</b>	S\$'000	<b>S\$'000</b>	S\$'000
<b>Cash flows from operating activities</b>				
Profit for the period	4,038	4,730	6,374	11,728
Adjustments for:				
Amortisation of trademark	8	8	15	15
Bad debts written off	76	-	147	1
Depreciation of plant and equipment	283	177	553	341
Depreciation of right-of-use assets	673	-	1,345	-
Impairment losses/(Reversal of impairment losses) on trade and other receivables	386	(49)	541	(144)
Interest expense	16	-	28	-
Interest income	(293)	(91)	(606)	(142)
Loss on disposal of plant and equipment	-	3	-	3
Plant and equipment written off	18	-	52	34
Gain on sale of associate	(33)	-	(33)	-
Tax expense	823	962	1,250	2,184
	<b>5,995</b>	<b>5,740</b>	<b>9,666</b>	<b>14,020</b>
Changes in:				
- trade and other receivables	(404)	(8,991)	14,616	(15,615)
- trade and other payables	3,441	11,494	(9,857)	18,754
- deferred income	140	292	125	390
<b>Cash generated from operations</b>	<b>9,172</b>	<b>8,535</b>	<b>14,550</b>	<b>17,549</b>
Tax paid	(2,427)	(1,625)	(2,431)	(1,625)
<b>Net cash from operating activities</b>	<b>6,745</b>	<b>6,910</b>	<b>12,119</b>	<b>15,924</b>
<b>Cash flows from investing activities</b>				
Acquisition of plant and equipment	(353)	(264)	(1,327)	(684)
Acquisition of trademark	-	-	-	(210)
Interest received	293	91	606	142
Proceeds from sale of associate	17	-	17	-
Proceeds from sale of plant and equipment	-	12	-	12
<b>Net cash used in investing activities</b>	<b>(43)</b>	<b>(161)</b>	<b>(704)</b>	<b>(740)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to owners	(12,950)	(11,228)	(12,950)	(11,228)
Dividends paid to non-controlling interests	(75)	(2,072)	(75)	(2,072)
Interest paid	(16)	-	(28)	-
Repayment of lease liabilities	(667)	-	(1,336)	-
Share issuance expenses	-	(1,492)	-	(1,492)
<b>Net cash used in financing activities</b>	<b>(13,708)</b>	<b>(14,792)</b>	<b>(14,389)</b>	<b>(14,792)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,006)</b>	<b>(8,043)</b>	<b>(2,974)</b>	<b>392</b>
Cash and cash equivalents at beginning of the financial period	79,642	36,050	75,610	27,615
<b>Cash and cash equivalents at end of the financial period</b>	<b>72,636</b>	<b>28,007</b>	<b>72,636</b>	<b>28,007</b>
<u>Additional information:</u>				
Cash at bank and on hand	72,697	28,068	72,697	28,068
Less: bank deposits pledged	(61)	(61)	(61)	(61)
<b>Total cash and cash equivalents</b>	<b>72,636</b>	<b>28,007</b>	<b>72,636</b>	<b>28,007</b>

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

	Attributable to owners of the Company							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	Non-controlling interests S\$'000	
<b>As at 1 January 2019</b>	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
<b>Other comprehensive income</b>								
– Foreign currency translation	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	5,704	5,704	670	6,374
<b>Transaction with owner, recognised directly in equity</b>								
<b>Distributions to owners</b>								
Dividend paid	-	-	-	-	(12,950)	(12,950)	(75)	(13,025)
<b>Total transaction with owners of the Company</b>	-	-	-	-	(12,950)	(12,950)	(75)	(13,025)
<b>As at 30 June 2019</b>	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)

	Attributable to owners of the Company							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	Non-controlling interests S\$'000	
<b>As at 1 January 2018</b>								
- As previously reported	435	-	607	(1)	17,057	18,098	3,062	21,160
- Effect of SFRS(I) 9	-	-	-	-	1,202	1,202	6	1,208
<b>As at 1 January 2018</b>	435	-	607	(1)	18,259	19,300	3,068	22,368
Profit for the period	-	-	-	-	10,374	10,374	1,354	11,728
<b>Other comprehensive income</b>								
- Foreign currency translation	-	-	-	(1)	-	(1)	-	(1)
<b>Total comprehensive income</b>	-	-	-	(1)	10,374	10,373	1,354	11,727
<b>Transaction with owner, recognised directly in equity</b>								
<b>Distributions to owners</b>								
Dividend paid	-	-	-	-	(11,228)	(11,228)	(2,072)	(13,300)
<b>Total transaction with owners of the Company</b>	-	-	-	-	(11,228)	(11,228)	(2,072)	(13,300)
<b>Contribution by owners</b>								
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
<b>As at 30 June 2018</b>	57,491	(17,663)	607	(2)	17,405	57,838	2,350	60,188

\* 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.



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

COMPANY - 2019	<b>Attributable to owners of the Company</b>		
	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>As at 1 January 2019</b>	57,491	14,792	72,283
Profit for the period	-	680	680
<b>Total comprehensive income</b>	-	680	680
<b>Transaction with owner, recognised directly in equity</b>			
<b>Contribution by owners</b>			
Dividend paid	-	(12,950)	(12,950)
<b>Total transaction with owners of the Company</b>	-	(12,950)	(12,950)
<b>As at 30 June 2019</b>	57,491	2,522	60,013

COMPANY - 2018	<b>Attributable to owners of the Company</b>		
	<b>Share capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>As at 10 January 2018 (date of incorporation)</b>	-*	-	-
Loss for the period	-	(973)	(973)
<b>Total comprehensive income</b>	-	(973)	(973)
<b>Transaction with owner, recognised directly in equity</b>			
<b>Contribution by owners</b>			
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
<b>As at 30 June 2018</b>	57,491	(973)	56,518

\* 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.**

There were no changes in the share capital of the Company in 2Q 2019. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 June 2019 and 31 December 2018.

- 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 2019 and 31 December 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 June 2019 and 31 December 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.**

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 2018 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.**

**SFRS(I) 16**

SFRS(I) 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group has applied SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of adopting SFRS(I) 16 had been recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group had applied the practical expedient to grandfather the definition of a lease on transition. This means that the Group applied SFRS(I) 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

***The Group as lessee***

The Group measured lease liabilities by applying a single discount rate to their portfolio of office premises leases and applied the practical expedient to recognise amounts of right-of-use (“**ROU**”) assets equal to their lease liabilities at 1 January 2019.

The existing operating lease arrangements are recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every three years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group no longer recognise provisions for operating leases that it assessed to be onerous. Instead, the Group has included the payments due under the lease in their lease liability.

As at 1 January 2019, the Group recognised an increase in ROU assets of \$3,832,439 and an increase in lease liabilities of \$3,832,439.

The nature of expenses related to those leases had changed as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

## 6 Earnings Per Ordinary Share

	Group			Group		
	2Q 2019	2Q 2018	Change (%)	1H 2019	1H 2018	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)	1.00	1.36	(26.5)	1.54	3.37	(54.3)
- Weighted average number of shares ('000)	370,000	308,482	-	370,000	307,795	-
(ii) On a fully diluted basis (cents)	1.00	1.36	(26.5)	1.54	3.37	(54.3)
- Weighted average number of shares ('000)	370,000	308,482	-	370,000	307,795	-

Note: As at 30 June 2018, the basic/diluted earnings per share had been computed based on the share capital assuming the restructuring exercise was effected on 1 January 2018.

## 7 Net Asset Value Per Share

	Group			Company		
	30-Jun-19	31-Dec-18	Change (%)	30-Jun-19	31-Dec-18	Change (%)
Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents)	16.12	18.07	(10.8)	16.22	19.54	(17.0)

- 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**

#### **2Q2019 vs 2Q2018**

##### **Revenue**

Revenue decreased by approximately S\$29.5 million or 24.3%, from S\$121.6 million in 2Q2018 to S\$92.1 million in 2Q2019. This was mainly due to the decrease in commission income from agency services of approximately S\$24.1 million or 25.5% from S\$94.6 million in 2Q2018 to S\$70.5 million in 2Q2019 and project marketing services of approximately S\$5.6 million or 22.0% from S\$25.4 million in 2Q2018 to S\$19.8 in 2Q2019. Commission income from agency services decreased against 2Q2018 as strong en-bloc activities before the cooling measures have contributed to the strong resale activities during the first half of 2018. Commission income from project marketing services decreased as a significant number of option-to-purchase have not been completed as at 30 June 2019.

##### **Cost of services**

Cost of services decreased by approximately S\$29.9 million or 26.5%, from S\$112.6 million in 2Q2018 to S\$82.7 million in 2Q2019. The decrease in commission cost to salespersons was in tandem with the decrease in commission income.

##### **Gross profit**

As a result of the percentage of cost of services decreasing slightly more than revenue, gross profit increased slightly by approximately S\$0.4 million or 4.0%, from S\$9.0 million in 2Q2018 to S\$9.4 million in 2Q2019.

##### **Finance income**

Finance income increased by approximately S\$0.2 million, from S\$0.1 million in 2Q2018 to S\$0.3 million in 2Q2019. This was mainly due to an increase in interest income from higher fixed deposit and bank balances of approximately S\$44.6 million from S\$28.1 million in 2Q2018 to S\$72.7 million in 2Q2019. The higher fixed deposit and bank balances was due to net IPO proceeds of approximately S\$38.3 million.

##### **Other income**

Other income increased by approximately S\$0.4 million or 33.9%, from S\$1.0 million in 2Q2018 to S\$1.4 million in 2Q2019. This was mainly due to an increase in marketing and advertising fee income of approximately \$0.5 million offset by a decrease in referral fee income of approximately \$0.1 million.

##### **Other expenses**

Staff cost increased by approximately S\$0.3 million or 12.1%, from S\$2.3 million in 2Q2018 to S\$2.6 million in 2Q2019. The increase was mainly due to salary increment, increase in the average staff headcount from 164 in 2Q2018 to 174 in 2Q2019, the accrual of staff bonus on a quarterly basis instead of accruing at the end of each financial year and partially offset by reversal of over-provision of bonus for FY2018 of approximately \$0.6 million.

Depreciation of plant and equipment increased by approximately S\$0.1 million or 59.9%, from S\$0.2 million in 2Q2018 to S\$0.3 million in 2Q2019. This was mainly due to addition of plant and equipment over the period from 1 April 2018 to 30 June 2019, notably the renovation for the new office at level 18 HDB Hub.

Depreciation of right-of-use assets of approximately S\$0.7 million is incurred in 2Q2019 as per adoption of new standard, SFRS(I) 16, explained in Item 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 (cont'd).**

Other expenses increased by approximately S\$1.8 million or 224.8%, from S\$0.8 million in 2Q2018 to S\$2.6 million in 2Q2019. This was mainly due to the increase in advertising and marketing expenses by approximately S\$0.8 million, impairment loss on trade and other receivables by approximately S\$0.4 million and legal and professional fees by approximately S\$0.2 million.

**Profit before tax**

As a result of the foregoing, profit before tax decreased by approximately S\$0.8 million or 14.6%, from S\$5.7 million in 2Q2018 to S\$4.9 million in 2Q2019.

**Tax expense**

Tax expense decreased by approximately S\$0.2 million or 14.4%, from S\$1.0 million in 2Q2018 to S\$0.8 million in 2Q2019. This was in line with the lower profits in 2Q2019.

**1H2019 vs 1H2018**

**Revenue**

Revenue decreased by approximately S\$58.1 million or 25.9%, from S\$224.4 million in 1H2018 to S\$166.3 million in 1H2019. This was mainly due to the decrease in commission income from agency services of approximately S\$30.5 million or 19.2% from S\$159.2 million in 1H2018 to S\$128.7 million in 1H2019 and project marketing services of approximately S\$27.8 million or 44.8% from S\$62.1 million in 1H2018 to S\$34.3 in 1H2019. Commission income from agency services decreased against 1H2018 as strong en-bloc activities before the cooling measures have contributed to the strong resale activities during the first half of 2018. Commission income from project marketing services decreased as a significant number of option-to-purchase have not been completed as at 30 June 2019.

**Cost of services**

Cost of services decreased by approximately S\$54.8 million or 26.8%, from S\$204.4 million in 1H2018 to S\$149.6 million in 1H2019. The decrease in commission cost to salespersons was in tandem with the decrease in commission income.

**Gross profit**

Consequently, gross profit decreased by approximately S\$3.3 million or 16.3%, from S\$20.0 million in 1H2018 to S\$16.7 million in 1H2019.

**Finance income**

Finance income increased by approximately S\$0.5 million, from S\$0.1 million in 1H2018 to S\$0.6 million in 1H2019. This was mainly due to an increase in interest income from higher fixed deposit and bank balances of approximately S\$44.6 million from S\$28.1 million in 1H2018 to S\$72.7 million in 1H2019. The higher fixed deposit and bank balances was due to net IPO proceeds of approximately S\$38.3 million.

**Other income**

Other income increased by approximately S\$0.7 million or 37.0%, from S\$2.0 million in 1H2018 to S\$2.7 million in 1H2019. This was mainly due to an increase in marketing and advertising fee income of approximately \$1.0 million offset by a decrease in referral fee income of approximately \$0.3 million.

**Other expenses**

Staff cost increased by approximately S\$1.0 million or 20.9%, from S\$4.8 million in 1H2018 to S\$5.8 million in 1H2019. This was mainly due to salary increment, increase in the average staff headcount from 162 in 1H2018 to 174 in 1H2019 and the accrual of staff bonus on a quarterly basis instead of accruing at the end of each financial year, starting from this year.

Depreciation of plant and equipment increased by approximately S\$0.2 million or 62.2%, from S\$0.3 million in 1H2018 to S\$0.5 million in 1H2019. This was mainly due to addition of plant and equipment over the period from 1 April 2018 to 30 June 2019, notably the renovation for the new office at level 18 HDB Hub.

Depreciation of right-of-use assets of approximately S\$1.3 million is incurred in 1H2019 as per adoption of new standard, SFRS(I) 16, explained in Item 5.

Other expenses increased by approximately S\$2.8 million or 144.2%, from S\$1.9 million in 1H2018 to S\$4.7 million in 1H2019. This was mainly due to the increase in advertising and marketing expenses by approximately S\$1.0 million, impairment loss on trade and other receivables by approximately S\$0.7 million, legal and professional fees by approximately S\$0.4 million, recruitment expenses by approximately S\$0.3 million and bad debts written off by approximately S\$0.1 million.

**Profit before tax**

As a result of the foregoing, profit before tax decreased by approximately S\$6.3 million or 45.2%, from S\$13.9 million in 1H2018 to S\$7.6 million in 1H2019.

**Tax expense**

Tax expense decreased by approximately S\$0.9 million or 42.8%, from S\$2.2 million in 1H2018 to S\$1.3 million in 1H2019. This was in line with the lower profits in 1H2019.

- 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 2019 compared to 31 December 2018)**

**Non-current assets**

Non-current assets increased by approximately S\$3.2 million or 107.6%, from S\$3.0 million as at 31 December 2018 to S\$6.2 million as at 30 June 2019. This was mainly due to the recognition of right-of-use assets of approximately S\$2.5 million as at 30 June 2019 as per adoption of new standard, SFRS(I) 16, explained in Item 5 and an increase in plant and equipment of approximately S\$0.7 million arising mainly from additions for renovation of approximately S\$0.6 million during 1H2019.

**Current assets**

Trade and other receivables decreased by approximately S\$15.3 million or 24.1%, from S\$63.5 million as at 31 December 2018 to S\$48.2 million as at 30 June 2019. The decrease was in tandem with lower revenue recognised in 1H2019.

Cash and cash equivalents decreased by approximately S\$3.0 million or 3.9%, from S\$75.7 million as at 31 December 2018 to S\$72.7 million as at 30 June 2019. The decrease was mainly due to dividend paid to owners of the Company in May 2019 offset with net cash generated from operating activities.

As a result, total current assets decreased by approximately S\$18.2 million or 13.1%, from S\$139.1 million as at 31 December 2018 to S\$120.9 million as at 30 June 2019.

**Non-current liabilities**

Non-current liabilities increased by approximately S\$1.1 million from S\$0.2 million 31 December 2018 to S\$1.3 million as at 30 June 2019 due to recognition of lease liabilities as per adoption of new standard, SFRS(I) 16, explained in Item 5.

**Current liabilities**

Trade and other payables decreased by approximately S\$9.9 million or 15.0%, from S\$65.8 million as at 31 December 2018 to S\$55.9 million as at 30 June 2019. The decrease was in tandem with lower cost of services rendered in 1H2019.

Current tax liabilities decreased by approximately S\$1.2 million or 24.3%, from S\$4.9 million as at 31 December 2018 to S\$3.7 million as at 30 June 2019. The decrease was due to payment of YA2019 tax partially offset by the increase in tax liabilities for the period 2Q2019.

Lease liabilities of approximately S\$1.4 million is recognised as at 30 June 2019 as per adoption of new standard, SFRS(I) 16, explained in Item 5.

As a result, total current liabilities decreased by approximately S\$9.5 million or 13.3%, from S\$71.5 million as at 31 December 2018 to S\$62.0 million as at 30 June 2019.

**Equity**

The equity attributable to the owners of the Company decreased by approximately S\$7.3 million or 10.8%, from S\$66.9 million as at 31 December 2018 to S\$59.6 million as at 30 June 2019 due to dividends paid to owners of the Company in May 2019 offset with profit attributable to owners of the Company for 1H2019.



- 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**

##### **2Q2019 vs 2Q2018**

Net cash from operating activities was approximately S\$6.7 million in 2Q2019 as compared to approximately S\$6.9 million in 2Q2018. The decrease was mainly due to higher tax paid of approximately S\$0.8 million, offset by higher cash generated from operations of approximately S\$0.7 million.

Net cash used in investing activities was approximately S\$0.04 million in 2Q2019 as compared to S\$0.2 million in 2Q2018. The decrease was mainly due to an increase interest income of approximately S\$0.2 million, offset by an increase in acquisition of plant and equipment of approximately S\$0.1 million.

Net cash used in financing activities was approximately S\$13.7 million in 2Q2019 as compared to S\$14.8 million in 2Q2018. The decrease was mainly due to the decrease in dividends paid to non-controlling interests of approximately \$2.0 million and decrease in share issuance expenses of approximately S\$1.5 million, offset by the increase in dividends paid to owners of approximately S\$1.7 million and repayment of lease liabilities of approximately S\$0.7 million.

As a result, there was a net decrease in cash and cash equivalents of approximately S\$7.0 million for 2Q2019 as compared to net decrease of approximately S\$8.0 million for 2Q2018.

##### **1H2019 vs 1H2018**

Net cash from operating activities was approximately S\$12.1 million in 1H2019 as compared to approximately S\$15.9 million in 1H2018. The decrease was mainly due to lower cash generated from operations of approximately S\$3.0 million and higher tax paid of approximately S\$0.8 million.

Net cash used in investing activities was approximately S\$0.7 million for both periods 1H2018 and 1H2019. There was an increase in acquisition of plant and equipment of approximately S\$0.6 million, offset by a decrease in acquisition of trademark of approximately S\$0.2 million and an increase interest income of approximately S\$0.4 million.

Net cash used in financing activities was approximately S\$14.4 million in 1H2019 as compared to S\$14.8 million in 1H2018. The decrease was mainly due to the decrease in dividends paid to non-controlling interests of approximately \$2.0 million and decrease in share issuance expenses of approximately S\$1.5 million, offset by the increase in dividends paid to owners of approximately S\$1.7 million and repayment of lease liabilities of approximately S\$1.3 million.

As a result, there was a net decrease in cash and cash equivalents of approximately S\$3.0 million for 1H2019 as compared to net increase of approximately S\$0.4 million for 1H2018.

## 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 2019.

<b>Use of Net Proceeds</b>	<b>Allocation of Net Proceeds as disclosed in the Prospectus (S\$'000)</b>	<b>Net Proceeds utilized as at the date of this announcement (S\$'000)</b>	<b>Balance of Net Proceeds as at the date of this announcement (S\$'000)</b>
Local and regional expansion through mergers and acquisitions, joint ventures and partnerships strategy	12,000	43 <sup>(1)</sup>	11,957
Enhancement of real estate brokerage business	8,000	2,799 <sup>(2)</sup>	5,201
Expansion in range of business services	7,000	624 <sup>(3)</sup>	6,376
Enhancement of technological capabilities	6,000	660 <sup>(4)</sup>	5,340
Working capital purposes	5,280	-	5,280
	<b>38,280</b>	<b>4,126</b>	<b>34,154</b>

### Notes:

- (1) These are mainly 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 that are formed in 2018 and 2019.
- (4) These are mainly expenses incurred for subscriptions of new software, renewal of IT software and purchases of new hardware and expansion 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.**

The sales performance of the second quarter tends to outperform the first quarter largely due to the festivities in the beginning of the year and sales momentum picking up thereafter. Due to the line-up of possibly over 26 new launches in the 2H2019 that are captivating the interest of buyers and investors, the Group expects the sales activities to continue for the remainder of the year, with momentum and demand staying resilient. To fully capitalise on the numerous project launches this year, the Group will continuously conduct consumer seminars to articulate the opportunities to potential buyers. These consumer seminars are often conducted by the Company's executive directors Mr Mohamed Ismail S/O Abdul Gafoore and Mr Kelvin Fong Keng Seong.

While private home prices may see a positive price growth in 2019, the Group anticipates the private resale market to be relatively subdued due to the property cooling measures as owners are postponing and holding off the decision to sell their properties.

On the public housing front, the HDB resale market is reflecting continuous demand and price stabilization.

**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	1.25 cents per ordinary share
Tax Rate	Tax exempt

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

No.

**(c) Date payable for interim dividend**

16 September 2019

**(d) Books closure date for interim dividend**

3 September 2019

**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 first quarter ended 30 June 2019 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 August 2019

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.