



Service You Trust
SINGAPORE

PROPNE X LIMITED

Company Registration Number: 201801373N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019

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PROPnex LIMITED

Company Registration Number: 201801373N

UNAUDITED RESULTS FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 SEPTEMBER 2019 (“3Q2019” AND “9M2019”)

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 2019.

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

	Group			Group		
	3Q2019	3Q2018	Change	9M2019	9M2018	Change
	S\$’000	S\$’000	(%)	S\$’000	S\$’000	(%)
Revenue	122,519	124,176	(1.3)	288,822	348,540	(17.1)
Cost of services rendered	(109,287)	(110,498)	(1.1)	(258,885)	(314,894)	(17.8)
Gross profit	13,232	13,678	(3.3)	29,937	33,646	(11.0)
Finance income	293	267	9.7	899	409	NM
Finance costs	(19)	-	NM	(47)	-	NM
Other income	1,154	756	52.6	3,887	2,751	41.3
Staff costs	(3,506)	(2,679)	30.9	(9,296)	(7,469)	24.5
Depreciation of plant and equipment	(282)	(190)	48.4	(835)	(531)	57.3
Depreciation of right-of-use assets	(666)	-	NM	(2,011)	-	NM
Amortisation of trademark	(8)	(8)	-	(23)	(23)	-
IPO expenses	-	-	-	-	(1,113)	NM
Other expenses	(2,082)	(1,458)	42.8	(6,804)	(3,392)	100.6
Gain on sale of associate	-	-	-	33	-	NM
Profit before tax	8,116	10,366	(21.7)	15,740	24,278	(35.2)
Tax expense	(1,503)	(2,031)	(26.0)	(2,753)	(4,215)	(34.7)
Profit for the period	6,613	8,335	(20.7)	12,987	20,063	(35.3)
Profit attributable to:						
Owners of the Company	6,111	7,208	(15.2)	11,815	17,582	(32.8)
Non-controlling interests	502	1,127	(55.5)	1,172	2,481	(52.8)
Profit for the period	6,613	8,335	(20.7)	12,987	20,063	(35.3)

NM – Not meaningful

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

	Group			Group		
	3Q2019 S\$'000	3Q2018 S\$'000	Change (%)	9M2019 S\$'000	9M2018 S\$'000	Change (%)
Profit for the period	6,613	8,335	(20.7)	12,987	20,063	(35.3)
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>6,613</u>	<u>8,336</u>	<u>(20.7)</u>	<u>12,987</u>	<u>20,063</u>	<u>(35.3)</u>
Total comprehensive income attributable to:						
Owners of the Company	6,111	7,209	(15.2)	11,815	17,582	(32.8)
Non-controlling interests	502	1,127	(55.5)	1,172	2,481	(52.8)
Total comprehensive income for the period	<u>6,613</u>	<u>8,336</u>	<u>(20.7)</u>	<u>12,987</u>	<u>20,063</u>	<u>(35.3)</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	
	3Q2019 S\$'000	3Q2018 S\$'000	9M2019 S\$'000	9M2018 S\$'000
Amortisation of trademark	8	8	23	23
Bad debts written off	97	1	244	2
Depreciation of plant and equipment	282	190	835	531
Depreciation of right-of-use assets	666	-	2,011	-
Foreign exchange loss/(gain)	4	2	(9)	14
Impairment losses on trade and other receivables	133	190	674	46
Interest expense	19	-	47	-
Interest income	(293)	(267)	(899)	(409)
Loss on disposal of plant and equipment	-	-	-	3
Plant and equipment written off	-	-	52	34

1(b)(i) Statements of Financial Position

	Group		Company	
	30 Sep 19	31 Dec 18	30 Sep 19	31 Dec 18
	S\$'000	S\$'000	S\$'000	S\$'000
Assets				
Plant and equipment	3,359	2,794	3	-
Trademark	165	188	157	180
Right-of-use assets	5,984	-	-	-
Subsidiaries	-	-	18,098	18,098
Associates	-	-	-	-
Other investment	16	-	-	-
Deferred tax assets	1	1	1	1
Non-current assets	9,525	2,983	18,259	18,279
Trade and other receivables	62,193	63,458	3,082	18,017
Cash and cash equivalents	74,588	75,671	40,946	39,139
Total current assets	136,781	139,129	44,028	57,156
Total assets	146,306	142,112	62,287	75,435
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	20,683	26,443	3,192	14,792
Equity attributable to owners of the Company	61,117	66,877	60,683	72,283
Non-controlling interests	2,646	3,521	-	-
Total equity	63,763	70,398	60,683	72,283
Liabilities				
Deferred tax liabilities	169	169	-	-
Lease liabilities	3,392	-	-	-
Non-current liabilities	3,561	169	-	-
Trade and other payables	72,599	65,761	1,441	3,016
Current tax liabilities	2,635	4,856	163	136
Deferred income	1,144	928	-	-
Lease liabilities	2,604	-	-	-
Current liabilities	78,982	71,545	1,604	3,152
Total liabilities	82,543	71,714	1,604	3,152
Total equity and liabilities	146,306	142,112	62,287	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

	Group		Group	
	3Q2019 S\$'000	3Q2018 S\$'000	9M2019 S\$'000	9M2018 S\$'000
Cash flows from operating activities				
Profit for the period	6,613	8,335	12,987	20,063
Adjustments for:				
Amortisation of trademark	8	8	23	23
Bad debts written off	97	1	244	2
Depreciation of plant and equipment	282	190	835	531
Depreciation of right-of-use assets	666	-	2,011	-
Impairment losses on trade and other receivables	133	190	674	46
Interest expense	19	-	47	-
Interest income	(293)	(267)	(899)	(409)
Loss on disposal of plant and equipment	-	-	-	3
Plant and equipment written off	-	-	52	34
Gain on sale of associate	-	-	(33)	-
Tax expense	1,503	2,031	2,753	4,215
	9,028	10,488	18,694	24,508
Changes in:				
- trade and other receivables	(14,269)	596	347	(15,019)
- trade and other payables	16,695	(2,283)	6,838	16,471
- deferred income	91	24	216	414
Cash generated from operations	11,545	8,825	26,095	26,374
Tax paid	(2,543)	(1,623)	(4,974)	(3,248)
Net cash from operating activities	9,002	7,202	21,121	23,126
Cash flows from investing activities				
Acquisition of plant and equipment	(125)	(218)	(1,452)	(902)
Acquisition of trademark	-	-	-	(210)
Interest received	293	267	899	409
Proceeds from sale of associate	-	-	17	-
Proceeds from sale of plant and equipment	-	-	-	12
Net cash from/(used in) investing activities	168	49	(536)	(691)
Cash flows from financing activities				
Dividend paid to owners	(4,625)	-	(17,575)	(11,228)
Dividend paid to non-controlling interests	(1,972)	-	(2,047)	(2,072)
Interest paid	(19)	-	(47)	-
Proceeds from issue of IPO shares	-	40,885	-	40,885
Repayment of lease liabilities	(663)	-	(1,999)	-
Share issuance expenses	-	-	-	(1,492)
Net cash (used in)/from financing activities	(7,279)	40,885	(21,668)	26,093
Net increase/(decrease) in cash and cash equivalents	1,891	48,136	(1,083)	48,528
Cash and cash equivalents at beginning of the financial period	72,636	28,007	75,610	27,615
Cash and cash equivalents at end of the financial period	74,527	76,143	74,527	76,143
<u>Additional information:</u>				
Cash at bank and on hand	74,588	76,204	74,588	76,204
Less: bank deposits pledged	(61)	(61)	(61)	(61)
Total cash and cash equivalents	74,527	76,143	74,527	76,143

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	
Group - 2019								
As at 1 Jan 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 Sep 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)

	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	
Group - 2018								
As at 1 Jan 2018								
- 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
As at 1 Jan 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 Sep 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.

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

COMPANY - 2019	Attributable to owners of the Company		
	Share capital	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000
As at 1 Jan 2019	57,491	14,792	72,283
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			
Dividend paid	-	(17,575)	(17,575)
Total transaction with owners of the Company	-	(17,575)	(17,575)
As at 30 Sep 2019	57,491	3,192	60,683

COMPANY - 2018	Attributable to owners of the Company		
	Share capital	Retained earnings	Total equity
	S\$'000	S\$'000	S\$'000
As at 10 Jan 2018 (date of incorporation)	-*	-	-
Loss for the period	-	(973)	(973)
Total comprehensive income	-	(973)	(973)
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 Sep 2018	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 3Q2019. There were no outstanding convertibles, shares held as treasury shares, or subsidiary holdings as at 30 September 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 September 2019 and 31 December 2018, the Company's issued ordinary shares is 370,000,000. The Company did not have any treasury shares as at 30 September 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 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 S\$3,832,439 and an increase in lease liabilities of S\$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		
	3Q2019	3Q2018	Change (%)	9M2019	9M2018	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)	1.65	1.95	(15.4)	3.19	5.35	(40.4)
- Weighted average number of shares ('000)	370,000	370,000		370,000	328,758	
(ii) On a fully diluted basis (cents)	1.65	1.95	(15.4)	3.19	5.35	(40.4)
- Weighted average number of shares ('000)	370,000	370,000		370,000	328,758	

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

7 Net Asset Value Per Share

	Group			Company		
	30 Sep 19	31 Dec 18	Change (%)	30 Sep 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)	16.52	18.07	(8.6)	16.40	19.54	(16.1)

- 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

3Q2019 vs 3Q2018

Revenue

Revenue decreased by approximately S\$1.7 million or 1.3%, from S\$124.2 million in 3Q2018 to S\$122.5 million in 3Q2019. This was mainly due to the decrease in commission income from agency services of approximately S\$7.8 million or 9.4% from S\$83.1 million in 3Q2018 to S\$75.3 million in 3Q2019 offset by increased in project marketing services of approximately S\$6.2 million or 15.9% from S\$39.1 million in 3Q2018 to S\$45.3 million in 3Q2019. Commission income from agency services decreased against 3Q2018 as strong en-bloc activities before the cooling measures have contributed to the strong resale activities in 2018. Commission income from project marketing services increased as a significant number of option-to-purchase have been completed in this quarter.

Cost of services

Cost of services decreased by approximately S\$1.2 million or 1.1%, from S\$110.5 million in 3Q2018 to S\$109.3 million in 3Q2019. The decrease in commission paid to salespersons was in tandem with the decrease in commission income.

Gross profit

As a result of the above, gross profit decreased by approximately S\$0.5 million or 3.3%, from S\$13.7 million in 3Q2018 to S\$13.2 million in 3Q2019.

Other income

Other income increased by approximately S\$0.4 million or 52.6%, from S\$0.8 million in 3Q2018 to S\$1.2 million in 3Q2019. This was mainly due to an increase in marketing and advertising fee income of approximately S\$0.3 million.

Other expenses

Staff cost increased by approximately S\$0.8 million or 30.9%, from S\$2.7 million in 3Q2018 to S\$3.5 million in 3Q2019. The increase was mainly due to salary increment, increase in the average staff headcount from 165 in 3Q2018 to 171 in 3Q2019, and the accrual of staff bonus on a quarterly basis instead of accruing at the end of each financial year.

Depreciation of plant and equipment increased by approximately S\$0.1 million or 48.4%, from S\$0.2 million in 3Q2018 to S\$0.3 million in 3Q2019. This was mainly due to addition of plant and equipment over the period from 1 April 2018 to 30 September 2019, notably the renovation for the new office at level 18 HDB Hub.

Depreciation of ROU assets of approximately S\$0.7 million is incurred in 3Q2019 in line with new standard, SFRS(I) 16 which was explained in Item 5.

Other expenses increased by approximately S\$0.6 million or 42.8%, from S\$1.5 million in 3Q2018 to S\$2.1 million in 3Q2019. This was mainly due to the increase in advertising and marketing expenses 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\$2.3 million or 21.7%, from S\$10.4 million in 3Q2018 to S\$8.1 million in 3Q2019.

Tax expense

Tax expense decreased by approximately S\$0.5 million or 26.0%, from S\$2.0 million in 3Q2018 to S\$1.5 million in 3Q2019. This was in line with the lower profits in 3Q2019.

- 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).**

9M2019 vs 9M2018

Revenue

Revenue decreased by approximately S\$59.7 million or 17.1%, from S\$348.5 million in 9M2018 to S\$288.8 million in 9M2019. This was mainly due to the decrease in commission income from agency services of approximately S\$38.3 million or 15.8% from S\$242.4 million in 9M2018 to S\$204.1 million in 9M2019 and project marketing services of approximately S\$21.6 million or 21.4% from S\$101.1 million in 9M2018 to S\$79.5 million in 9M2019. Commission income from agency services decreased against 9M2018 as strong en-bloc activities before the cooling measures have contributed to the strong resale activities in 2018. Commission income from project marketing services decreased as the overall number of option-to-purchase completed as at 30 September 2019 was lower.

Cost of services

Cost of services decreased by approximately S\$56.0 million or 17.8%, from S\$314.9 million in 9M2018 to S\$258.9 million in 9M2019. The decrease in commission paid to salespersons was in tandem with the decrease in commission income.

Gross profit

Consequently, gross profit decreased by approximately S\$3.7 million or 11.0%, from S\$33.6 million in 9M2018 to S\$29.9 million in 9M2019.

Finance income

Finance income increased by approximately S\$0.5 million, from S\$0.4 million in 9M2018 to S\$0.9 million in 9M2019. This was mainly due to an increase in interest income from higher fixed deposit and bank balances during the nine-month period ending 30 September 2019. The net IPO proceeds of approximately S\$38.3 million contributed to the higher fixed deposit and bank balances.

Other income

Other income increased by approximately S\$1.1 million or 41.3%, from S\$2.8 million in 9M2018 to S\$3.9 million in 9M2019. This was mainly due to an increase in marketing and advertising fee income of approximately S\$1.3 million offset by a decrease in referral fee income of approximately S\$0.3 million.

Other expenses

Staff cost increased by approximately S\$1.8 million or 24.5%, from S\$7.5 million in 9M2018 to S\$9.3 million in 9M2019. This was mainly due to salary increment, increase in the average staff headcount from 163 in 9M2018 to 173 in 9M2019 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\$0.3 million or 57.3%, from S\$0.5 million in 9M2018 to S\$0.8 million in 9M2019. This was mainly due to addition of plant and equipment over the period from 1 April 2018 to 30 September 2019, notably the renovation for the new office at level 18 HDB Hub.

Depreciation of ROU assets of approximately S\$2.0 million is incurred in 9M2019 as per adoption of new standard, SFRS(I) 16, explained in Item 5.

Other expenses increased by approximately S\$3.4 million or 100.6%, from S\$3.4 million in 9M2018 to S\$6.8 million in 9M2019. This was mainly due to the increase in advertising and marketing expenses by approximately S\$1.4 million, impairment loss on trade and other receivables by approximately S\$0.6 million, legal and professional fees by approximately S\$0.6 million, recruitment expenses by approximately S\$0.4 million and bad debts written off by approximately S\$0.2 million.

Profit before tax

As a result of the foregoing, profit before tax decreased by approximately S\$8.6 million or 35.2%, from S\$24.3 million in 9M2018 to S\$15.7 million in 9M2019.

- 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 decreased by approximately S\$1.5 million or 34.7%, from S\$4.2 million in 9M2018 to S\$2.7 million in 9M2019. This was in line with the lower profits in 9M2019.

Statements of Financial Position Review (as at 30 September 2019 compared to 31 December 2018)

Non-current assets

Non-current assets increased by approximately S\$6.5 million or 219.3%, from S\$3.0 million as at 31 December 2018 to S\$9.5 million as at 30 September 2019. This was mainly due to the recognition of ROU assets of approximately S\$6.0 million as at 30 September 2019 in line with SFRS(I) 16 explained in Item 5, and an increase in plant and equipment of approximately S\$0.6 million arising mainly from additions for renovation of approximately S\$0.7 million during 9M2019.

Current assets

Trade and other receivables decreased by approximately S\$1.3 million or 2.0%, from S\$63.5 million as at 31 December 2018 to S\$62.2 million as at 30 September 2019. The decrease was in tandem with lower revenue recognised in 9M2019.

Cash and cash equivalents decreased by approximately S\$1.1 million or 1.4%, from S\$75.7 million as at 31 December 2018 to S\$74.6 million as at 30 September 2019. The decrease was mainly due to dividend paid to owners of the Company and non-controlling interests offset with net cash generated from operating activities.

As a result, total current assets decreased by approximately S\$2.3 million or 1.7%, from S\$139.1 million as at 31 December 2018 to S\$136.8 million as at 30 September 2019.

Non-current liabilities

Non-current liabilities increased by approximately S\$3.4 million from S\$0.2 million 31 December 2018 to S\$3.6 million as at 30 September 2019 due to recognition of lease liabilities in line with SFRS(I) 16.

Current liabilities

Trade and other payables increased by approximately S\$6.8 million or 10.4%, from S\$65.8 million as at 31 December 2018 to S\$72.6 million as at 30 September 2019. The increase was mainly due to the increase in other payables by approximately S\$6.6 million which mainly contributed from increased in GST payable as well as funds collected from salespersons to be paid to authorities, charities and insurance companies.

Current tax liabilities decreased by approximately S\$2.2 million or 45.7%, from S\$4.8 million as at 31 December 2018 to S\$2.6 million as at 30 September 2019. The decrease was due to payment of YA2019 tax partially offset by the provision of tax expense for the period 9M2019.

Lease liabilities of approximately S\$2.6 million is recognised as at 30 September 2019 as per adoption of new standard, SFRS(I) 16, explained in Item 5.

As a result, total current liabilities increased by approximately S\$7.4 million or 10.4%, from S\$71.6 million as at 31 December 2018 to S\$79.0 million as at 30 September 2019.

Equity

The equity attributable to the owners of the Company decreased by approximately S\$5.8 million or 8.6%, from S\$66.9 million as at 31 December 2018 to S\$61.1 million as at 30 September 2019 due to dividend paid to owners of the Company offset with profit attributable to owners of the Company for 9M2019.

- 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

3Q2019 vs 3Q2018

The operating activities generated net cash of approximately S\$9.0 million in 3Q2019 as compared to approximately S\$7.2 million in 3Q2018.

Net cash from investing activities was approximately S\$0.2 million in 3Q2019 as compared to approximately S\$49,000 in 3Q2018. The increase was mainly due decrease in acquisition of plant and equipment of approximately S\$0.1 million.

Net cash used in financing activities was approximately S\$7.3 million in 3Q2019 as compared to net cash from financing activities of approximately S\$40.9 million in 3Q2018. The decrease was mainly due to proceeds from issue of IPO shares of approximately S\$40.9 million received in 3Q2018, the dividend paid of approximately S\$6.6 million and repayment of lease liabilities of approximately S\$0.7 million in 3Q2019.

As a result, there was a net increase in cash and cash equivalents of approximately S\$1.9 million for 3Q2019 as compared to net increase of approximately S\$48.1 million for 3Q2018.

9M2019 vs 9M2018

Net cash from operating activities was approximately S\$21.1 million in 9M2019 as compared to approximately S\$23.1 million in 9M2018. The decrease was mainly due to lower cash generated from operations of approximately S\$0.4 million and higher tax paid of approximately S\$1.6 million.

Net cash used in investing activities was approximately S\$0.5 million in 9M2019 as compared to approximately S\$0.7 million in 9M2018. The decrease in cash used was mainly due to an increase in interest received of approximately S\$0.5 million and decrease in acquisition of trademark of approximately S\$0.2 million, offset by increase in acquisition of plant and equipment of approximately S\$0.6 million.

Net cash used in financing activities was approximately S\$21.7 million in 9M2019 as compared to net cash from financing activities of approximately S\$26.1 million in 9M2018. The decrease was mainly due to proceeds from issue of IPO shares of approximately S\$40.9 million received in 9M2018, the dividend paid to owners of approximately S\$6.3 million and repayment of lease liabilities of approximately S\$2.0 million, offset by decrease in share issuance expenses of approximately S\$1.5 million.

As a result, there was a net decrease in cash and cash equivalents of approximately S\$1.1 million for 9M2019 as compared to net 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"). The Board wishes to provide an update on the use of Net Proceeds as at 30 September 2019.

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	73 ⁽¹⁾	11,927
Enhancement of real estate brokerage business	8,000	3,031 ⁽²⁾	4,969
Expansion in range of business services	7,000	1,004 ⁽³⁾	5,996
Enhancement of technological capabilities	6,000	886 ⁽⁴⁾	5,114
Working capital purposes	5,280	-	5,280
	38,280	4,994	33,286

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 third quarter tends to be better largely due to the festivities at the beginning of the year and sales momentum picking up thereafter. With the line-up of new launches 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 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 Ismail Gafoore and Mr Kelvin Fong.

While private home prices may see a positive price growth in 2019, the Group anticipates the private resale market have an estimated 18,000 transactions for the whole year.

The introduction of Enhanced CPF Housing Grant with broader guidelines in September 2019 increased the affordability of homes for first time buyers. As a result, we expect higher number of applications by first time home buyers for resale flat. The HDB resale market is expected to reflect continuous demand and price stabilization.

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 2019. The Company currently does not have a dividend policy and will recommend dividend as and when it is appropriate taking into account of working capital and business expansion needs.

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 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

PROPNEK LIMITED

13 November 2019

UOB Kay Hian Private Limited is the sole issue manager of the IPO and listing of PropNex Limited. UOB Kay Hian Private Limited assumes no responsibility for the contents of this announcement.