PROPNEX LIMITED

Company Registration Number: 201801373N

FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2018

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UNAUDITED RESULTS FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2018

The Board of Directors of Propnex Limited wishes to announce the following unaudited results of the Group for the second quarter and six months ended 30 June 2018.

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

	Group					
	2Q 2018 S$'000	2Q 2017 S$'000 Restated^	Change (%)	**6M 2018 S$'000**	6M 2017 S$'000 Restated^	Change (%)
Revenue	121,615	75,851	60.3	224,364	134,002	67.4
Cost of services rendered	(112,601)	(68,642)	64.0	(204,396)	(119,925)	70.4
Finance income	91	19	378.9	142	34	317.6
Other income	1,041	743	40.1	1,995	1,414	41.1
Staff costs	(2,350)	(1,716)	36.9	(4,790)	(3,566)	34.3
Depreciation of plant and equipment	(177)	(81)	118.5	(341)	(157)	117.2
Amortisation of trademark	(8)	-	NM	(15)	-	NM
IPO expenses	(1,113)	-	NM	(1,113)	-	NM
Other expenses	(806)	(761)	5.9	(1,934)	(2,712)	(28.7)
Profit before tax	5,692	5,413	5.2	13,912	9,090	53.0
Tax expense	(962)	(777)	23.8	(2,184)	(1,200)	82.0
Profit for the period	4,730	4,636	2.0	11,728	7,890	48.6
Profit attributable to:						
Owners of the Company	4,204	4,047	3.9	10,374	6,855	51.3
Non-controlling interests	526	589	(10.7)	1,354	1,035	30.8
Profit for the period	4,730	4,636	2.0	11,728	7,890	48.6

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

NM – Not meaningful

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

	Group					
	2Q 2018 S$'000	2Q 2017 S$'000	Change (%)	**6M 2018 S$'000**	6M 2017 S$'000	Change (%)
Profit for the period	4,730	4,636	2.0	11,728	7,890	48.6
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	(1)	(1)	NM
Other comprehensive income for the period, net of tax	(1)	(1)	NM	(1)	(1)	NM
Total comprehensive income for the period	4,729	4,635	2.0	11,727	7,889	48.7
Total comprehensive income attributable to:						
Owners of the Company	4,203	4,046	3.9	10,373	6,854	51.3
Non-controlling interests	526	589	(10.7)	1,354	1,035	30.8
Total comprehensive income for the period	4,729	4,635	2.0	11,727	7,889	48.7

NM – not meaningful

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

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

	Group			
	2Q 2018 S$'000	2Q 2017 S$'000	**6M 2018 S$'000**	6M 2017 S$'000
Profit for the period is determined after (crediting)/ charging the following:				
Interest income	(91)	(19)	(142)	(34)
Amortisation of trademark	8	-	15	-
Bad debts written off	-	250	1	250
Depreciation of plant and equipment	177	81	341	157
Foreign exchange loss/(gain)	10	(2)	12	(3)
Impairment losses/(Reversal of impairment loss) on trade and other receivables	(49)	(217)	(144)	884
Loss on disposal of property, plant and equipment	3	1	3	1
Plant and equipment written off	-	-	34	-
Over provision of prior years' tax	-	(2)	-	(5)

1(b)(i) Statements of Financial Position

	Group			Company
	30-June-18	31-Dec-17	1-Jan-17	**30-June-18***
	S$'000	S$'000 Restated^	S$'000 Restated^	**S$'000**
Assets				
Plant and equipment	2,041	1,747	683	-
Trademark	203	8	8	195
Investment in subsidiaries	-	-	-	18,098
Non-current assets	2,244	1,755	691	18,293
Trade and other receivables	120,993	62,926	34,025	42,320
Cash and cash equivalents	28,068	27,676	16,130	488
Total current assets	149,061	90,602	50,155	42,808
Total assets	151,305	92,357	50,846	61,101
Equity				
Share capital	57,491	435	435	57,491
Merger reserve	(17,663)	-	-	-
Translation reserve	(2)	(1)	-	-
Capital reserve	607	607	607	-
Accumulated profits/(losses)	17,405	17,057	10,480	(973)
Equity attributable to owners of the Company	57,838	18,098	11,522	56,518
Non-controlling interests	2,350	3,062	1,510	-
Total equity	60,188	21,160	13,032	56,518
Liabilities				
Deferred tax liability	210	144	31	-
Non-current liability	210	144	31	-
Trade and other payables	85,966	67,211	36,001	4,583
Current tax liabilities	3,903	3,194	1,160	-
Deferred income	1,038	648	622	-
Current liabilities	90,907	71,053	37,783	4,583
Total liabilities	91,117	71,197	37,814	4,583
Total equity and liabilities	151,305	92,357	50,846	61,101

^ 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			
	2Q 2018 S$'000	2Q 2017 **S$'000**	**6M 2018 S$'000**	6M 2017 **S$'000**
Cash flows from operating activities				
Profit for the year	4,730	4,636	11,728	7,890
Adjustments for:				
Amortisation of trademark	8	-	15	-
Bad debts written off	-	250	1	250
Depreciation of plant and equipment	177	81	341	157
Impairment losses/(Reversal of impairment losses) on trade and other receivables	(49)	(217)	(144)	884
Interest income	(91)	(19)	(142)	(34)
Loss on disposal of plant and equipment	3	1	3	1
Plant and equipment written off	-	-	34	-
Tax expense	962	777	2,184	1,200
	5,740	5,509	14,020	10,348
Changes in:				
- trade and other receivables	(8,991)	(10,729)	(15,615)	(17,770)
- trade and other payables	11,494	15,724	18,754	20,189
- deferred income	292	302	390	(186)
Cash generated from operations	8,535	10,806	17,549	12,581
Tax paid	(1,625)	(480)	(1,625)	(579)
Net cash from operating activities	6,910	10,326	15,924	12,002
Cash flows from investing activities				
Acquisition of plant and equipment	(264)	(100)	(684)	(189)
Acquisition of trademark	-	-	(210)	-
Interest received	91	19	142	34
Proceeds from sale of plant and equipment	12	2	12	2
Net cash used in investing activities	(161)	(79)	(740)	(153)
Cash flows from financing activities				
Dividends paid to owners	(11,228)	(8,144)	(11,228)	(8,144)
Dividends paid to non-controlling interests	(2,072)	(1,061)	(2,072)	(1,061)
Share issuance expenses	(1,492)	-	(1,492)	-
Net cash used in financing activities	(14,792)	(9,205)	(14,792)	(9,205)
Net (decrease)/increase in cash and cash equivalents	(8,043)	1,042	392	2,644
Cash and cash equivalents at beginning of the financial period	36,050	17,671	27,615	16,069
Cash and cash equivalents at end of the financial period	28,007	18,713	28,007	18,713
Additional information:				
Cash at bank and on hand	28,068	18,774	28,068	18,774
Less: bank deposits pledged	(61)	(61)	(61)	(61)
Total cash and cash equivalents	28,007	18,713	28,007	18,713

Significant non-cash transaction

The proceeds from the issuance of new shares of S$40,855,000 were not received by the Company as at 30 June 2018 and these proceeds were subsequently received post-IPO dated 2 July 2018 on 10 July 2018.

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	-	-	-	-	10,374	10,374	1,354	11,728
Other comprehensive income								
– Foreign currency translation	-	-	-	(1)	-	(1)	-	(1)
Total comprehensive income	-	-	-	(1)	10,374	10,373	1,354	11,727
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 June 2018	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.

^ 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	-	-	-	6,855	6,855	1,035	7,890
Other comprehensive income							
– Foreign currency translation	-	-	(1)	-	(1)	-	(1)
Total comprehensive income	-	-	(1)	6,855	6,854	1,035	7,889
Transaction with owner, recognised directly in equity							
Distributions to owners							
Dividend paid	-	-	-	(8,144)	(8,144)	(1,061)	(9,205)
Total transaction with owners of the Company	-	-	-	(8,144)	(8,144)	(1,061)	(9,205)
As at 30 June 2017	435	607	(1)	9,191	10,232	1,484	11,716

^ 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 S$'000	Accumulated losses S$'000	Total equity S$'000
As at 10 January 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 June 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.

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 June 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 June 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 June 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 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 following 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) 15 and SFRS(I) 9.

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

When the Group adopts SFRS(I) on 1 January 2018, the Company applies SFRS(I) 1 with 1 January 2017 as the date of transition for the Group. SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, as if such accounting policy had always been applied. If there are changes to accounting policies arising from new or amended standards effective in 2018, restatement of comparative figures may be required because SFRS(I) 1 requires both the opening balance sheet and comparative information to be prepared using the most current accounting policies. SFRS(I) 1 provides mandatory exceptions and optional exemptions from retrospective application, but there are often different from those specific transition provisions in individual FRSs applied to the FRS financial statements. Except as described below, the Group does not expect the application of the mandatory exemptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

Foreign currency translation reserve ("FCTR")

The Group elects the optional exemption in SFRS(I) 1 to reset its cumulative FCTR for its foreign operation to nil at date of transition, and reclassify the cumulative of FCTR of $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.

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 adopts SFRS(I) 15 in its financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group applies all of the requirements of SFRS(I) 15 retrospectively and the comparative period presented in the 2018 financial statements will be 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 and 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:

	2Q 2017			6M 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	82,353	(6,502)	75,851	145,024	(11,022)	134,002
Cost of sales	(75,144)	6,502	(68,642)	(130,947)	11,022	(119,925)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively. However, the Group plans to take advantage of the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets resulting from the adoption of SFRS(I) 9 are recognised in retained earnings as at 1 January 2018.

The expected impact on adoption of SFRS(I) 9 are described below. The information below reflects the Group's expectation of the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

Impairment

The Group's financial assets consist of loans and receivables that are expected to continue to be accounted for using amortised cost model under SFRS(I) 9.

SFRS(I) 9 replaces the current 'incurred loss' model with a forward-looking expected credit loss ("ECL") model. The new impairment model will apply to financial assets measured at amortised cost. Under SFRS(I) 9, the Group's loss allowances will be 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 plans to apply the simplified approach and record lifetime ECL on all trade receivables. For the non-trade receivables, the Group plans to apply the general approach and record 12-month ECL on non-trade receivables. Based on the assessment, the Group expects a decrease in impairment for trade and other receivables of $1,424,214 and correspondence increase in deferred tax liabilities by $214,463 as at 1 January 2018, with a net adjustment of $1,201,707 to the retained earnings as at 1 January 2018.

6 Earnings Per Ordinary Share

	Group					
Earnings per ordinary share of the Group based on net profit attributable to owners of the Company:	**2Q 2018**	2Q 2017	Change (%)	**6M 2018**	6M 2017	Change (%)
(i) Based on the weighted average number of shares (cents)	1.14	1.09	4.6	2.80	1.85	51.4
- Weighted average number of shares ('000)	370,000	370,000	-	370,000	370,000	-
(ii) On a fully diluted basis (cents)	1.14	1.09	4.6	2.80	1.85	51.4
- Adjusted weighted average number of shares ('000)	370,000	370,000	-	370,000	370,000	-

Note: For comparative purposes, the basic/diluted earnings per share have been computed based on the share capital assuming the restructuring exercise and issuance of new shares were effected.

7 Net Asset Value Per Share

	Group			Company
	30-Jun-18	31-Dec-17	Change (%)	**30-Jun-18**
Net asset value per ordinary share based on issued share capital, excluding treasury shares, at the end of the financial period/year (cents)	15.63	4.89	219.6	15.28

Note: For comparative purposes, the net asset value per share have been computed based on the share capital assuming the restructuring exercise and issuance of new shares were 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

2Q2018 vs 2Q2017

Revenue
Revenue increased by approximately S$45.8 million or 60.3%, from S$75.8 million in 2Q2017 to S$121.6 million in 2Q2018. This was mainly due to the increase in commission income from agency services of approximately S$44.1 million or 90.0%, from S$49.0 million in 2Q2017 to S$93.1 million in 2Q2018 and the increase in commission income from project marketing services of approximately S$1.2 million or 4.7%, from S$25.7 million in 2Q2017 to S$26.9 million in 2Q2018. The increase in commission income from agency services and project marketing services was the result of a more active Singapore residential property market.

Cost of services
Cost of services increased by approximately S$44.0 million or 64.0%, from S$68.6 million in 2Q2017 to S$112.6 million in 2Q2018. 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$1.8 million or 25.0%, from S$7.2 million in 2Q2017 to S$9.0 million in 2Q2018. 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$0.07 million or 378.9%, from S$0.02 million in 2Q2017 to S$0.09 million in 2Q2018. This was due to the increase in overall fixed deposit and bank balances of approximately S$9.3 million from S$18.8 million in 2Q2017 to S$28.1 million in 2Q2018.

Other income
Other income increased by approximately S$0.3 million or 40.1%, from S$0.7 million in 2Q2017 to S$1.0 million in 2Q2018. This was due to an increase in Post-of-Sales merchandising income of approximately S$0.05 million from S$0.03 million in 2Q2017 to S$0.08 million in 2Q2018, an increase in other general income of approximately S$0.1 million from S$0.2 million in 2Q2017 to S$0.3 million in 2Q2018, an increase in referral fee income of approximately S$0.1 million from S$0.3 million in 2Q2017 to S$0.4 million in 2Q2018 and an increase in training and seminar income of approximately S$0.05 million from S$0.03 million in 2Q2017 to S$0.08 million in 2Q2018.

Operating expenses

Staff cost increased by approximately S$0.6 million or 36.9%, from S$1.7 million in 2Q2017 to S$2.3 million in 2Q2018. This was mainly due an increase in payroll and staff-related expenses as well as increase in our average staff headcount from 144 in 2Q2017 to 164 in 2Q2018.

Depreciation of plant and equipment increased by approximately S$0.1 million or 118.5%, from S$0.1 million in 2Q2017 to S$0.2 million in 2Q2018.

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.

IPO expenses amounted to approximately S$2.5 million, of which approximately S$1.4 million will be capitalised against share capital post IPO on 2 July 2018 and approximately S$1.1 million was expensed off in June 2018.

Other expenses remained at S$0.8 million in 2Q2018 as compared to 2Q2017.

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$0.3 million or 5.2%, from S$5.4 million in 2Q2017 to S$5.7 million in 2Q2018.

Tax expense
Tax expense increased by approximately S$0.2 million or 23.8%, from S$0.8 million in 2Q2017 to S$1.0 million in 2Q2018. This was in line with the higher profit in 2Q2018.

6M2018 vs 6M2017

Revenue
Revenue increased by approximately S$90.4 million or 67.4%, from S$134.0 million in 6M2017 to S$224.4 million in 6M2018. This was mainly due to the increase in commission income from agency services of approximately S$67.2 million or 76.4%, from S$88.0 million in 6M2017 to S$155.2 million in 6M2018 and the increase in commission income from project marketing services of approximately S$22.9 million or 52.9%, from S$43.3 million in 6M2017 to S$66.2 million in 6M2018. The increase in commission income from agency services and project marketing services was the result of a more active Singapore residential property market.

Cost of services
Cost of services increased by approximately S$84.4 million or 70.4%, from S$120.0 million in 6M2017 to S$204.4 million in 6M2018. 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$5.9 million or 41.8%, from S$14.1 million in 6M2017 to S$20.0 million in 6M2018. 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$0.1 million or 317.6% from S$0.03 million in 6M2017 to S$0.1 million in 6M2018. This was due to the increase in overall fixed deposit and bank balances of approximately S$9.3 million from S$18.8 million in 6M2017 to S$28.1 million in 6M2018.

Other income
Other income increased by approximately S$0.6 million or 41.1%, from S$1.4 million in 6M2017 to S$2.0 million in 6M2018. This was primarily due to an increase in other general income of approximately S$0.1 million from S$0.3 million in 6M2017 to S$0.4 million in 6M2018, an increase in referral fee income of approximately S$0.3 million from S$0.5 million in 6M2017 to S$0.8 million in 6M2018 and an increase in training and seminar income of approximately S$0.1 million from S$0.1 million in 6M2017 to S$0.2 million in 6M2018.

Operating expenses

Staff cost increased by approximately S$1.2 million or 34.3%, from S$3.6 million in 6M2017 to S$4.8 million in 6M2018. This was mainly due an increase in payroll and staff-related expenses as well as increase in our average staff headcount from 146 in 6M2017 to 162 in 6M2018.

Depreciation of plant and equipment increased by approximately S$0.2 million or 117.2%, from S$0.1 million in 6M2017 to S$0.3 million in 6M2018.

Amortisation of trademark increased by approximately S$15,000 was mainly due to acquisition of P&N trademarks from P&N Holdings Pte Ltd in 6M2018 for a consideration of S$0.2 million.

IPO expenses amounted to approximately S$1.1 million was expensed off in June 2018.

Other expenses decreased by approximately S$0.8 million or 28.7%, from S$2.7 million in 6M2017 to S$1.9 million in 6M2018. This was primarily due to a decrease in bad debts written off of approximately S$0.3 million from S$0.3 million in 6M2017 to S$1,209 in 6M2018, a decrease in impairment losses recognised on trade and other receivables of approximately S$1.0 million from S$0.9 million in 6M2017 to (S$0.1 million) in 6M2018, a decrease in marketing expenses of approximately S$0.3 million from S$0.4 million in 6M2017 to S$0.1 million in 6M2018, offset against an increase in legal and professional fees expenses of approximately S$0.1 million from S$0.03 million in 6M2017 to S$0.1 million in 6M2018, an increase in recruitment expenses for agents of approximately S$0.2 million from S$0.05 million in 6M2017 to S$0.2 million in 6M2018 and an increase in referral fee expenses of approximately S$0.2 million from S$0.3 million in 6M2017 to S$0.5 million in 6M2018.

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$4.8 million or 53.0%, from S$9.1 million in 6M2017 to S$13.9 million in 6M2018.

Tax expense
Tax expense increased by approximately S$1.0 million or 82.0%, from S$1.2 million in 6M2017 to S$2.2 million in 6M2018. This was in line with the higher profit in 6M2018.

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 June 2018 compared to 31 December 2017)**</u>

Non-current assets

Non-current assets increased by approximately S$0.5 million or 27.9%, from S$1.7 million as at 31 December 2017 to S$2.2 million as at 30 June 2018. This was due to acquisition of plant and equipment of S$0.7 million in 6M2018 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$0.4 million in 6M2018.

Current assets

Trade and other receivables increased by approximately S$58.1 million or 92.3%, from S$62.9 million as at 31 December 2017 to S$121.0 million and 30 June 2018. This was mainly due to higher billing for projects being due in 6M2018 as compared to 4Q2017 as well as other receivables arising from issuance of new shares of S$40.9 million.

Cash and cash equivalents increased by approximately S$0.4 million or 1.4%, from S$27.7 million as at 31 December 2017 to S$28.1 million as at 30 June 2018.

As a result, total current assets increased by approximately S$58.5 million or 64.5%, from S$90.6 million as at 31 December 2017 to S$149.1 million as at 30 June 2018.

Non-current liabilities

Non-current liabilities remained at S$0.2 million as at 30 June 2018 and 31 December 2017.

Current liabilities

Trade and other payables increased by approximately S$18.8 million or 27.9%, from S$67.2 million as at 31 December 2017 to S$86.0 million as at 30 June 2018. This was in line with the increase in trade receivables at the corresponding dates.

Current tax liabilities increased by approximately S$0.7 million or 22.2%, from S$3.2 million as at 31 December 2017 to S$3.9 million as at 30 June 2018. This was mainly due to higher profit in 6M2018.

Deferred income increased by approximately S$0.4 million or 60.2%, from S$0.6 million as at 31 December 2017 to S$1.0 million as at 30 June 2018 respectively.

As a result, total current liabilities increased by approximately S$19.8 million or 27.9%, from S$71.1 million as at 31 December 2017 to S$90.9 million as at 30 June 2018.

Equity

The equity attributable to the owners of the Company increased by approximately S$39.7 million or 219.6%, from S$18.1 million as at 31 December 2017 to S$57.8 million as at 30 June 2018. The increase was mainly attributable to the profit for 6M2018 of S$10.4 million, issuance of new shares of S$40.9 million and effects of new standards of $1.2 million, offset by dividends payment of approximately S$11.2 million and share issuance expenses of S$1.5 million in 2Q2018.

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

2Q2018 vs 2Q2017

Net cash generated from operating activities was approximately S$10.3 million in 2Q2017 as compared to approximately S$6.9 million in 2Q2018. The decreased was mainly due to lesser cash inflow from working capital changes, as well as higher income tax paid in 2Q2018.

Net cash used in investing activities was approximately S$0.1 million in 2Q2017 as compared to approximately $0.2 million in 2Q2018. The increase was mainly due to the acquisition of plant and equipment of approximately S$0.3 million, offset by interest income of approximately S$0.1 million in 2Q2018.

Net cash used in financing activities was approximately S$9.2 million in 2Q2017 as compared to approximately S$14.8 million in 2Q2018. The increase was mainly due to higher dividend paid to owners and non-controlling interests and share issuance expenses of S$1.5 million.

As a result, there was a net increase in cash and cash equivalents of approximately S$1.0 million for 2Q2017 as compared to net decrease of approximately S$8.0 million for 2Q2018.

6M2018 vs 6M2017

Net cash generated from operating activities was approximately S$12.0 million in 6M2017 as compared to approximately S$15.9 million in 6M2018. The increase was mainly due to the higher profit of S$3.8 million in 6M2018.

Net cash used in investing activities was approximately S$0.2 million in 6M2017 as compared to approximately $0.7 million in 6M2018. The increase was mainly due to the acquisition of plant and equipment of approximately S$0.7 million and acquisition of P&N trademarks of approximately S$0.2 million, offset by interest income of approximately S$0.1 million in 6M2018.

Net cash used in financing activities was approximately S$9.2 million in 2Q2017 as compared to approximately S$14.8 million in 2Q2018. The increase was mainly due to higher dividend paid to owners and non-controlling interests and share issuance expenses of S$1.5 million.

As a result, there was a net increase in cash and cash equivalents of approximately S$2.6 million for 6M2017 as compared to an increase of approximately S$0.4 million for 6M2018.

9 Use of Proceeds Raised From IPO

Pursuant to the Company's IPO, on 10 July 2018, the Company received net proceeds of approximately $38.3 million after deducting IPO expenses of approximately S$2.6 million, of which approximately $1.5 million was capitalised against share capital and approximately $1.1 million was expensed off in the profit or loss. As the net proceeds were not received as at 30 June 2018, it has not been utilised as at 30 June 2018 and the listing on Singapore Exchange Securities Trading Limited was on 2 July 2018.

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 Singapore real estate market has been showing signs of uplift in property prices in the recent quarters partly contributed by the robust land bids at government land sales and collective sales sites. The private residential home price increases for the first half of 2018 at 7.3 per cent.

While the market sees a continued positive price growth and in transactional volume in 1H2018, the impact of the latest cooling measures is expected to be felt possibly only in 2H2018. At recent launches, developers are reducing their property prices, factoring in the increase in the additional buyer's stamp duty that buyers will incur.

With this announcement of cooling measures, we may expect subdued demand in the coming quarters from buyers, who will evaluate their options post-cooling measures. July 2018 will see a surge in new home sales though, as buyers rushed to beat the cooling measures deadline on 5 July 2018, contributing significantly to the total volume of new home private transactions.

Private resale market is expected to do well, due to the demand from the affected en-bloc owners seeking replacement homes.

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 June 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 second quarter and six months ended 30 June 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

08 August 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.