PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2017 ("9M2017")

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	3Q2017 $'000	3Q2016 $'000	Change %	9M2017 $'000	9M2016 $'000	Change %
Revenue	51,256	31,849	60.9	133,154	93,814	41.9
Cost of sales	(35,162)	(20,397)	72.4	(90,722)	(61,623)	47.2
Gross profit	**16,094**	**11,452**	40.5	**42,432**	**32,191**	31.8
Other items of income						
Other income	595	320	85.9	1,636	1,025	59.6
Other credits	139	323	NM	-	508	NM
Other items of expense						
Selling expenses	(2,528)	(2,513)	0.6	(7,034)	(6,933)	1.5
Administrative expenses	(12,696)	(6,904)	83.9	(34,819)	(18,665)	86.5
Finance costs	(210)	(178)	18.0	(528)	(531)	(0.6)
Other charges	(930)	(497)	NM	(2,695)	(1,133)	NM
Profit/(loss) before tax, before IPO expenses	**464**	**2,003**	NM	**(1,008)**	**6,462**	NM
IPO expenses	-	(2,181)	NM	-	(2,181)	NM
Profit/(loss) before tax, after IPO expenses	**464**	**(178)**	NM	**(1,008)**	**4,281**	NM
Income tax expense	(450)	-	NM	(485)	(1,442)	NM
Profit/(loss), net of tax	**14**	**(178)**	NM	**(1,493)**	**2,839**	NM
Profit/(loss) attributable to:						
Owners of the Company	14	(178)	NM	(1,493)	2,839	NM
Profit/(loss) for the period	**14**	**(178)**	NM	**(1,493)**	**2,839**	NM

	Note	3Q2017 $'000	3Q2016 $'000	Change %	9M2017 $'000	9M2016 $'000	Change %
Profit/(loss) for the period		**14**	**(178)**	NM	**(1,493)**	**2,839**	NM
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Foreign currency translation	1	228	(365)	NM	47	(2,645)	NM
Other comprehensive income for the period		**228**	**(365)**	NM	**47**	**(2,645)**	NM
Total comprehensive income for the period		**242**	**(543)**	NM	**(1,446)**	**194**	NM
Profit/(loss) for the period attributable to:							
Owners of the Company		14	(178)	NM	(1,493)	2,839	NM
Comprehensive income attributable to:							
Owners of the Company		**242**	**(543)**	NM	**(1,446)**	**194**	NM
Notes to Income Statement							
Other income							
Interest income		45	18	NM	152	68	NM
Others		550	302	82.1	1,484	957	55.1
		595	320		1,636	1,025	
Other credits							
Reversal of allowance for trade receivables		-	-	NM	-	268	NM
Gain on disposal of plant and equipment		-	37	NM	-	42	NM
Foreign exchange gain		139	286	(51.4)	-	198	NM
		139	323		-	508	
Other charges							
Loss on disposal of plant and equipment		50	-	NM	127	-	NM
Provision for stock obsolescence	2	868	497	74.6	1,836	1,133	62.0
Allowance for trade receivables	3	12	-	NM	136	-	NM
Foreign exchange loss	4	-	-	NM	596	-	NM
		930	497		2,695	1,133	
Other items							
Depreciation of plant and equipment	5	2,106	947	NM	5,486	2,695	NM
Amortisation of intangible assets		189	189	-	567	567	-
Interest expense		210	178	18.0	528	531	(0.6)

N.M. - Not meaningful

Notes:

1. The decrease in foreign currency translation for foreign operations was mainly due to the movement of the Sterling Pound ("GBP") against the Singapore Dollar ("S$"). The GBP weakened 15.6% in 9M2016, from S$2.10/GBP in December 2015 to S$1.77/GBP in September 2016, versus a strengthening of 2.5% in 9M2017 from S$1.78/GBP in December 2016 to S$1.82/GBP in September 2017.
2. The provision for stock obsolescence arose due to the Group's policy to mark down multi-generational inventories to net realisable value.
3. The allowance for trade receivables was due to provisions made as a result of the increase in the average age of the trade receivables.
4. The foreign exchange loss mainly arose from the revaluation of the US Dollar ("USD") denominated receivables. The USD weakened from S$1.45/USD in December 2016 to S$1.36/USD in September 2017.
5. The increase in depreciation of plant and equipment was mainly due to the addition of maintenance parts equipment procured in the set-up of the Global Parts Centre.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
	$'000	$'000	$'000	$'000
ASSETS				
Non-current assets				
Plant and equipment	27,892	11,304	23,957	7,116
Investments in subsidiaries	-	-	43,769	42,564
Intangible assets	14,020	14,322	1,689	2,079
Finance lease receivables	992	1,677	-	-
Deferred tax assets	536	554	-	-
Total non-current assets	**43,440**	**27,857**	**69,415**	**51,759**
Current assets				
Inventories	18,269	15,641	-	-
Trade and other receivables	53,760	39,410	12,349	11,214
Prepayments	6,994	2,868	42	11
Finance lease receivables	1,251	1,299	-	-
Cash and bank balances	13,562	30,006	6,964	18,170
Total current assets	**93,836**	**89,224**	**19,355**	**29,395**
Total assets	**137,276**	**117,081**	**88,770**	**81,154**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	22,954	24,670	2,940	6,007
Advance billings	19,045	3,452	-	-
Loans and borrowings	17,787	13,607	6,771	2,960
Income tax payable	2,110	1,033	-	-
	61,896	**42,762**	**9,711**	**8,967**
Non-current liabilities				
Deferred tax liabilities	507	508	167	167
Loans and borrowings	8,053	4,480	7,392	3,186
Provisions	846	827	-	-
Deferred income	866	1,422	-	-
Total non-current liabilities	**10,272**	**7,237**	**7,559**	**3,353**
Total liabilities	**72,168**	**49,999**	**17,270**	**12,320**
Equity attributable to owners of the Company				
Share capital	70,068	70,068	70,068	70,068
Retained earnings	17,229	20,052	422	(1,442)
Other reserves	(22,189)	(23,038)	1,010	208
Equity attributable to owners of the Company	**65,108**	**67,082**	**71,500**	**68,834**
Non-controlling interests	-	-	-	-
Total equity	**65,108**	**67,082**	**71,500**	**68,834**
Total equity and liabilities	**137,276**	**117,081**	**88,770**	**81,154**

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

Group	As at 30-Sep-17			As at 31-Dec-16		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Amount repayable in one year or on demand	9,834	7,953	**17,787**	7,090	6,517	**13,607**
Amount repayable after one year	431	7,622	**8,053**	900	3,580	**4,480**
	10,265	**15,575**	**25,840**	**7,990**	**10,097**	**18,087**
Borrowings comprise of:						
Bank term loans	-	14,126	**14,126**	-	8,195	**8,195**
Short term trade facilities	9,213	-	**9,213**	6,435	381	**6,816**
Finance lease obligations	1,052	449	**1,501**	1,555	607	**2,162**
Bank overdrafts	-	607	**607**	-	548	**548**
Others	-	393	**393**	-	366	**366**
	10,265	**15,575**	**25,840**	**7,990**	**10,097**	**18,087**

Details of collaterals

The secured short-term trade facilities of $9.2 million as at 30 September 2017 (31 December 2016: $6.4 million) include trust receipts and trade receivables factoring. The finance lease obligations of $1.1 million as at 30 September 2017 are secured by charges over the fixed assets with a carrying amount of $1.3 million as at 30 September 2017 (31 December 2016: $2.3 million).

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	3Q2017	3Q2016	9M2017	9M2016
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Profit/(loss) before tax	**464**	**(178)**	**(1,008)**	**4,281**
Adjustments for:				
Depreciation of plant and equipment	2,106	947	5,486	2,695
Amortisation of intangible assets	189	189	567	567
Share based payment	356	52	802	52
Loss/(gain) on disposal of plant and equipment	50	(37)	127	(42)
Inventories written down	868	497	1,836	1,133
Allowance for/(reversal of) trade receivables	12	-	136	(268)
Interest income	(45)	(18)	(152)	(68)
Interest expense	210	178	528	531
Unrealised exchange loss/(gain)	84	(204)	(240)	(1,081)
Operating cash flows before changes in working capital	**4,294**	**1,426**	**8,082**	**7,800**
Increase in inventories	(458)	(176)	(4,647)	(2,986)
(Decrease)/increase in trade and other receivables	(1,447)	1,024	(12,269)	(2,142)
(Decrease)/increase in finance lease receivables	220	(2,622)	733	(2,334)
Increase in prepayment	(1,862)	(680)	(4,126)	(3,450)
Increase in advance billing	2,289	669	15,593	2,376
Decrease in trade and other payables	(1,012)	(1,992)	(3,233)	(5,141)
Net cash generated from/(used in) operations	**2,024**	**(2,351)**	**133**	**(5,877)**
Income taxes paid	(195)	(469)	(1,700)	(1,413)
Net cash generated from/(used in) operating activities	**1,829**	**(2,820)**	**(1,567)**	**(7,290)**
Cash flows from investing activities				
Purchase of plant and equipment	(2,684)	(407)	(13,869)	(2,320)
Proceeds from disposal of plant and equipment	782	-	886	440
Proceeds from maturity of fixed deposits	-	-	3,000	-
Interest received	45	18	152	68
Net cash used in investing activities	**(1,857)**	**(389)**	**(9,831)**	**(1,812)**
Cash flows from financing activities				
Issuance of share capital	-	38,573	-	38,573
Acquisition of non-controlling interest	-	-	-	(7,000)
Share issuance expenses	-	(1,567)	-	(1,567)
(Placement)/release of fixed deposits pledged for bank facilities	(1,327)	4	(2,709)	(4)
Proceeds from loans and borrowings	24,118	17,384	76,268	42,415
Repayments of loans and borrowings	(26,795)	(16,896)	(76,787)	(39,434)
Increase/(decrease) in amounts due to related companies	7	(37)	8	3,055
(Decrease)/increase in amounts due to holding company	-	(6,155)	304	1,512
Decrease in amounts due to directors	-	-	-	(1,428)
Dividends paid	-	-	(1,330)	-
Interest paid	(210)	(178)	(528)	(531)
Net cash (used in)/generated from financing activities	**(4,207)**	**31,128**	**(4,774)**	**35,591**
Net (decrease)/increase in cash and cash equivalents	**(4,235)**	**27,919**	**(16,172)**	**26,489**
Effect of exchange rate changes on cash and cash equivalents	2	18	(40)	(35)
Cash and cash equivalents at beginning of the financial period	14,284	2,622	26,263	4,105
Cash and cash equivalents at end of the financial period	**10,051**	**30,559**	**10,051**	**30,559**
Cash and cash equivalents comprise the following:				
Cash and bank balances	13,562	31,126	13,562	31,126
Less: Bank overdraft	(607)	(368)	(607)	(368)
Less: Pledged deposits	(2,904)	(199)	(2,904)	(199)
Cash and cash equivalents	**10,051**	**30,559**	**10,051**	**30,559**

1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share Capital	Retained Earnings	Other Reserves	Equity attributable to owners of	Non-Controlling Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2017	70,068	20,052	(23,038)	67,082	-	**67,082**
Total comprehensive income for the period	-	(1,493)	47	(1,446)	-	**(1,446)**
Share-based payment	-	-	802	802	-	**802**
Dividends	-	(1,330)	-	(1,330)	-	**(1,330)**
Balance as at 30 September 2017	**70,068**	**17,229**	**(22,189)**	**65,108**	**-**	**65,108**
Balance as at 1 January 2016	33,062	14,913	(13,749)	34,226	98	**34,324**
Total comprehensive income for the period	-	2,839	(2,645)	194	-	**194**
						-
Issuance of new shares pursuant to IPO	38,573	-	-	38,573	-	**38,573**
Share issue expenses	(1,567)	-	-	(1,567)	-	**(1,567)**
Share-based payment	-	-	52	52	-	**52**
Acquisition of non-controlling interests in a subsidiary	-	-	(6,902)	(6,902)	(98)	**(7,000)**
Balance as at 30 September 2016	**70,068**	**17,752**	**(23,244)**	**64,576**	**-**	**64,576**

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2017	70,068	(1,442)	208	**68,834**
Total comprehensive income for the period	-	3,194	-	**3,194**
Share-based payment	-	-	802	**802**
Dividends	-	(1,330)	-	**(1,330)**
Balance as at 30 September 2017	**70,068**	**422**	**1,010**	**71,500**
Balance as at 1 January 2016	33,062	549	-	**33,611**
Total comprehensive income for the period	-	(2,512)	-	**(2,512)**
Issuance of new shares pursuant to IPO	38,573	-	-	38,573
Share issue expenses	(1,567)	-	-	(1,567)
Share-based payment	-	-	52	52
Balance as at 30 September 2016	**70,068**	**(1,963)**	**52**	**68,157**

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.

A) Changes in share capital during the financial period

	Number of Ordinary Shares '000	Issued and Paid-up Share Capital $'000
As at 1 January 2017	280,000	70,068
As at 30 September 2017	280,000	70,068

B) Share options – employee shares option scheme

Between 1 January 2017 to 30 September 2017, the Company did not issue any shares under the employee share option scheme.

As at 30 September 2017, there are no outstanding options under the employee share option scheme (30 September 2016: NIL).

C) Performance share plan

As at 30 September 2017, the number of outstanding awards granted under the performance share plan was 6,989,500 (30 September 2016: NIL).

The shares to be issued pursuant to the awards are subject to certain performance conditions to be satisfied by the respective participants. Once the performance conditions are satisfied, the shares shall be released to the respective participants after the respective performance periods.

D) Treasury shares

No treasury shares and subsidiary holdings were held by the Company as at 30 September 2017 and 30 September 2016.

1(d)(iii) 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.

The total number of issued shares as at 30 September 2017 was 280,000,000 (31 December 2016: 280,000,000). The Company has no treasury shares.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable as the Company does not have treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable as the Company does not have subsidiary holdings.

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 consistently applied the same accounting policies and methods of computation in the financial statements for the nine-month period ended 30 September 2017 compared with those of the audited financial statements for the financial year ended 31 December 2016, except for the adoption of the Singapore Financial Reporting Standards ("SFRS"), including improvements to SFRS and Interpretations of FRS that are mandatory for financial years beginning on or after 1 January 2017, and in the nine-month period ended 30 September 2017, where applicable.

The adoption of these new/revised standards and interpretations applicable for the financial period beginning 1 January 2017 did not result in significant change to the Group's accounting policies and did not have a material impact on the Group's financial results for the nine-month period ended 30 September 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 the effect of, the change.

Please refer to item 4 above.

6 Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Group	3Q2017	3Q2016	9M2017	9M2016
Basic earnings per share (cents)	0.01	(0.08)	(0.53)	1.24
Fully diluted earnings per share (cents)	0.00	(0.08)	(0.52)	1.24

7 Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

a) current financial period reported on; and
b) immediately preceding financial year.

	Group		Company	
	30-Sep-17	31-Dec-16	30-Sep-17	31-Dec-16
Net asset value per share (cents)	23.25	23.96	25.54	24.58
Number of shares in issue ('000)	280,000	280,000	280,000	280,000

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 financial period reported on.

Review of performance – 3Q2017 vs 3Q2016

	3Q2017	3Q2016	Change %
Revenue ($'000)			
IT Distribution	40,041	26,230	52.7
Lifecycle Services	11,214	5,619	99.6
Total	**51,255**	**31,849**	60.9
Gross Profit ($'000)			
IT Distribution	9,484	8,579	10.5
Lifecycle Services	6,609	2,873	130.0
Total	**16,093**	**11,452**	40.5
Gross Profit Margin (%)			
IT Distribution	23.7	32.7	(9.0)
Lifecycle Services	58.9	51.1	7.8
Total	**31.4**	**36.0**	(4.6)

Revenue from the IT Distribution and Lifecycle Services business segments increased by 52.7% and 99.6%, respectively. The IT Distribution business segment revenue grew from $26.2 million in 3Q2016 to $40.0 million in 3Q2017, mainly due to higher contributions from Europe (including the UK), Middle East and Africa ("EMEA") and the North and South America (the "Americas"). The higher sales volume was mainly from the Group's participation in the resale programmes of two multi-billion-dollar Original Equipment Manufacturers (OEMs). The revenue from the Lifecycle Services business segment increased from $5.6 million in 3Q2016 to $11.2 million in 3Q2017, mainly attributable to the better performance from EMEA, Singapore and the newly-incorporated Rockland Congruity LLC ("Rockland"). Excluding newly acquired subsidiaries, the Group recorded 14.2% increase in revenue from $31.8 million in 3Q2016 to $36.4 million in 3Q2017, mainly from the Americas (excluding newly acquired subsidiaries) increase of 50% from $12.7m in 3Q2016 to $19.1 million in 3Q2017, with 55% growth in the IT Distribution business segment and 22% growth in the Lifecyle Services business segment. This was partially offset by the lack of high-margin IT Distribution deals in Asia.

The Group's overall gross profit increased 40.5% from $11.5 million in 3Q2016 to $16.1 million in 3Q2017, in line with higher revenue. However, the Group's overall gross profit margin decreased by 4.6 percentage points from 36.0% in 3Q2016 to 31.4% in 3Q2017. The gross profit margin in the IT Distribution business segment decreased from 32.7% in 3Q2016 to 23.7% in 3Q2017, in the absence of fewer high profit margin deals, and was also impacted by the Group's bid to capture higher market share in the hardware resale industry. The gross profit margin of the Lifecycle Services business segment increased from 51.1% in 3Q2016 to 58.9% in 3Q2017, mainly attributable to the Group switching to its in-house capabilities to serve customers rather than outsource their maintenance requirements, and partially offset by the additional depreciation charge on the maintenance parts procured in the set-up of the Global Parts Centre ("GPC").

Despite the higher revenue, selling expenses remained relatively flat at $2.5 million for 3Q2017 due to lower pay-out of sales commissions, in line with the lower gross profit margin.

Administrative expenses increased by $5.8 million, from $6.9 million in 3Q2016 to $12.7 million in 3Q2017, due to higher aggregate staff cost and other operating expenses. Maiden expenses from EAF and Rockland accounted for $4.9 million of the increase. The remaining $0.9 million increase was due to staff costs (excluding EAF and Rockland) which increased 25.9% or $1.1 million as a result of the increased headcount to support the Group's expansion plans.

As a result of the above, profit before tax amounted to $0.5 million in 3Q2017 compared to a pre-tax loss of $178,000 in 3Q2016.

As previously disclosed on 12 May 2017, the Group's business model in the Americas has shifted away from being primarily based on outsourcing to one which is integrated with in-house maintenance servicing capabilities. This change requires a straight-line recognition of the maintenance service revenue over the contract durations.

This has resulted in deferred revenue recognition for the maintenance service orderbook in Procurri LLC and, accordingly, lower revenue despite the Group building up a stronger orderbook as at 30 September 2017 compared to a year ago. The revenue impact from this change is approximately $1.7 million, and the impact to profit before tax is approximately $0.6 million.

The Group's income tax expense was $0.5 million in 3Q2017 and recorded a profit after tax of $14,000 in 3Q2017 compared to a $178,000 loss in 3Q2016.

Review of performance – 9M2017 vs 9M2016

	9M2017	9M2016	Change %
Revenue ($'000)			
IT Distribution	105,196	75,718	38.9
Lifecycle Services	27,958	18,096	54.5
Total	**133,154**	**93,814**	41.9
Gross Profit			
IT Distribution	29,788	23,064	29.2
Lifecycle Services	12,644	9,127	38.5
Total	**42,432**	**32,191**	31.8
Gross Profit Margin (%)			
IT Distribution	28.3	30.5	(2.1)
Lifecycle Services	45.2	50.4	(5.2)
Total	**31.9**	**34.3**	(2.4)

The Group's revenue increased 41.9% or $39.3 million from $93.8 million for 9M2016 to $133.2 million for 9M2017. Revenue from the IT Distribution and Lifecycle Services business segments increased 38.9% and 54.5%, respectively. The IT Distribution business segment revenue grew from $75.7 million for 9M2016 to $105.2 million for 9M2017. The increase was mainly contributed by EAF and Rockland. The revenue from the Lifecycle Services business segment increased from $18.1 million for 9M2016 to $28.0 million for 9M2017, mainly attributable to the better performance from EMEA and the contribution from EAF and Rockland.

The Group's overall gross profit increased 31.8% from $32.2 million for 9M2017 to $42.4 million for 9M2016, in line with the higher revenue.

The Group's overall gross profit margin decreased by 2.4 percentage points from 34.3% for 9M2016 to 31.9%for 9M2017. Gross margin of the IT Distribution business segment decreased from 30.5% for 9M2016 to 28.3% for 9M2017, still in line with the Group's expectation of 25% to 32% margin for the IT Distribution business. The decrease in profit margin in the Lifecycle Services business segment from 50.4% for 9M2016 to 45.2% for 9M2017 was due to the adoption of revenue recognition over the contract durations arising from a change in business operations from outsourcing to in-house (via Rockland), as well as depreciation charge on the maintenance parts procured in the set-up of the GPC to support in-house maintenance business.

Selling expenses increased marginally by 1.5% or $0.1 million, from $6.9 million for 9M2016 to $7.0 million for 9M2017.

Administrative expenses increased by $16.2 million, from $18.7 million for 9M2016 to $34.8 million for 9M2017, a result of the increase in the aggregate staff cost, depreciation and other operating expenses. Maiden expenses from EAF and Rockland accounted for $11.9 million of the increase. The remaining $4.3 million increase was due to staff costs (excluding EAF and Rockland) which increased 24.7% or $2.9 million as a result

of the increased headcount to support the Group's expansion plans. Rental and maiden post-listing compliance costs formed the rest of the increase.

The shift in the Group's business model in the Americas from being primarily based on outsourcing to one which is integrated with in-house maintenance servicing capabilities resulted in a deferred revenue impact of $5.4 million and $1.9 million in profit before tax for 9M2017.

The Group had income tax expense of $0.5 million for 9M2017 compared to $1.4 million for 9M2016 due mainly to losses incurred.

The Group recorded a loss of $1.5 million for 9M2017 compared to a profit after tax of $2.8 million for 9M2016.

Review of financial position

Non-current assets

a) Plant and equipment increased by $16.6 million from $11.3 million as at 31 December 2016 to $27.9 million as at 30 September 2017, mainly due to the addition of $20.6 million in maintenance parts and $1.7 million for a "hardware as a service" contract in Singapore, where the customer is leasing a set of IT equipment. As previously disclosed in the Company's announcement dated 23 January 2017 on the joint venture between Procurri LLC and Congruity LLC, the addition of $20.6 million in maintenance parts was made to support the Group's third-party maintenance business. The increase was partially offset by depreciation charges of $5.5 million.

   At the Company level, the $16.8 million increase in plant and equipment was mainly due to purchase of maintenance parts to support the Group's third-party maintenance business, partially offset by depreciation charges of $3.7 million.

b) Intangible assets decreased by $0.3 million mainly due to the amortisation charge of $0.6 million, and partially offset by the translation gain of $0.3 million on the balance of intangible assets as at 30 September 2017. The intangible assets were primarily denominated in foreign currencies.

c) Finance lease receivables (both current and non-current) decreased from $3.0 million as at 31 December 2016 to $2.2 million as at 30 September 2017, mainly due to the repayments, and partially offset by the new lease secured during the period.

Current assets

d) Inventories increased by 16.8% or $2.6 million to $18.3 million as at 30 September 2017, of which $4.3 million was due to Rockland's set-up. Procurri LLC, EAF and Asia (excluding Singapore) recorded increases in inventory level to cater for the anticipated increase in sales demand in the next quarter. The increase was partially offset by the decrease in Singapore.

e) Trade and other receivables increased by 36.4% or $14.4 million to $53.8 million as at 30 September 2017, mainly due to $13.9 million of receivables from Rockland's set up. The increase in other receivables was mainly due to income tax receivables from Procurri LLC.

f) Prepayments increased by $4.1 million, mainly due to higher advance payments made to suppliers.

g) The movement in cash and bank balances is illustrated in the statement of cash flows and review of cash flows.

Liabilities

h) The increase in loans and borrowings (both current and non-current) of $7.8 million was mainly due to the increase in term loans and short-term trade facilities, and partially offset by the decrease in trust receipts and the repayments.

i) The advance billings increased from $3.5 million as at 31 December 2016 to $19.0 million as at 30 September 2017, of which $10.1 million was from Rockland, and was consistent with the increased order book.

j) Trade and other payables decreased by $1.7 million to $23.0 million as at 30 September 2017.

Net current position

The Group recorded a positive working capital of $31.9 million as at 30 September 2017 compared to $46.5 million as at 31 December 2016.

Review of cash flows

Net cash used in operating activities in 9M2017 amounted to $1.6 million compared to $7.3 million in 9M2016. This was mainly due to higher operating cash flows, and increase in advance billings and finance lease receivables of $15.6 million and $0.7 million respectively. This was partially offset by the decrease in inventories, trade and other receivables and prepayment of $4.6 million, $12.3 million and $4.1 million respectively, and the decrease in trade and other payables of $3.2 million.

Net cash used in investing activities increased to $9.8 million in 9M2017 compared to $1.8 million in 9M2016. This was mainly attributable to the purchase of plant and equipment, and partially offset by the proceeds from maturity of fixed deposits and the proceeds from disposal of plant and equipment.

Net cash used in financing activities in 9M2017 amounted to $4.8 million compared to cash generated from financing activities of $35.6 million in 9M2016. The cash used in financing activities was primarily due to the proceeds from borrowing of $76.3 million, placement of fixed deposits of $2.7 million, and dividend payment to the Company's shareholders of $1.3 million, and offset by net proceeds from loans and borrowings of $76.3 million.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders for the current reporting period.

10 A commentary at the date of the 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 product mix for the IT Distribution business segment has evolved with the Group's participation in the resale programmes of two multi-billion-dollar Original Equipment Manufacturers ("OEMs") ("Resale Programmes"). The Resale Programmes are open to only a select few companies, and one of the new sales initiatives positions the Group as such OEM's first global partner for the distribution of its replacement parts. The Group's involvement in the Resale Programmes is part of the strategy to capture higher market share in the hardware resale industry, which translated into higher revenue from the IT Distribution business segment on the back of higher sales volume, and this growth momentum is expected to continue. The Group is experiencing temporary gross profit margin pressure as it bids to capture higher market share, and this is expected to ease when economies of scale from the Group's strategy eventually kicks in.

As previously disclosed, the Group is undergoing a transitional phase to grow recurring revenue from the Lifecycle Services business segment to improve earnings stability over the long-term. Accordingly, the Group has switched to its in-house capabilities to serve customers, rather than outsource these maintenance requirements. Such a business model requires a straight-line recognition of the maintenance service revenue over the contract durations according to current Singapore Financial Reporting Standards. In effect, this has translated into a growing order book, which reached S$21.9 million as at 30 September 2017.

To support the shift to in-house maintenance servicing and participation in the Resale Programmes, the Group has made investments in its infrastructure, resulting in an increase in overheads. The Group expects its full year performance to be impacted by tightened margins from the IT Distribution business segment, the straight-lining of the recognition of maintenance service revenue in the Americas, as well as increased investment in its infrastructure.

11 If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividends have been declared or recommended for the current reporting period.

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

No dividends have been declared for the corresponding period of the immediately preceding financial year.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Book closure date

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

No dividends have been declared or recommended for the current financial period reported on.

13 If the Group has obtained a general mandate from shareholders for Interested Person Transactions (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.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 1 Jan 2017 to 30 Sep 2017 $'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) 1 Jan 2017 to 30 Sep 2017 $'000
Provision of shared services by the DeClout Group		
DeClout Limited	NA	365
Others		
Pacific Wave Pte Ltd	471	NA

14 Use of IPO proceeds

The Company received net proceeds (after deducting IPO expenses of approximately $3.8 million) from the IPO of approximately $34.8 million (the "Net Proceeds"). As at the date of this announcement, the Net Proceeds have been utilised as follows:

Use of Proceeds	Estimated amount (as disclosed in the Prospectus) $ million	Net Proceeds utilised as at the date of this announcement $ million	Balance of net proceeds as at the date of this announcement $ million
Merger and acquisitions, joint ventures and partnerships	17.0	16.1	0.9
Enhancement of infrastructure	5.0	1.9	3.1
Repayment of the DeClout loans	6.1	6.1	-
Working capital purposes	6.7	6.7	-
	34.8	30.8	4.0

15 Negative confirmation by the Board pursuant to Rule 705(5).

The directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the third quarter and nine-month period ended 30 September 2017 to be false or misleading in any material aspect.

16 Confirmation pursuant to Rule 720 (1) of the Listing Manual.

The Company confirms that it has procured the undertakings from all its directors and executive officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD
Thomas Sean Murphy
Chairman and Global Chief Executive Officer
12 November 2017

DBS Bank Ltd. was the issue manager and underwriter (the "Issue Manager and Underwriter") for the initial public offering of shares in, and listing of, Procurri Corporation Limited on the Main Board of the Singapore Exchange Securities Trading Limited. The Issue Manager and Underwriter assumes no responsibility for the contents of this announcement.