PROCURRI

PROCURRI CORPORATION LIMITED
(REGISTRATION NO: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 JUNE 2023 ("1H2023")

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

A Condensed interim consolidated statement of profit or loss and other comprehensive income

Group	Note	1H2023 $'000	1H2022 $'000	Change %
Revenue	4	99,961	121,091	(17.4)
Cost of sales		(74,846)	(87,206)	(14.2)
Gross profit		**25,115**	**33,885**	(25.9)
Other items of income				
Other income		79	111	(28.8)
Other credits		321	1,015	(68.4)
Other items of expense				
Selling expenses		(13,145)	(15,210)	(13.6)
Administrative expenses		(15,569)	(17,834)	(12.7)
Finance costs		(697)	(368)	89.4
Other charges		(422)	(66)	539.4
(Loss)/Profit before tax	6	**(4,318)**	**1,533**	N.M.
Income tax credit / (expense)	7	719	(258)	N.M.
(loss)/Profit, net of tax		**(3,599)**	**1,275**	N.M.
(Loss)/Profit attributable to:				
Owners of the Company		(3,599)	1,275	N.M.
(Loss)/Profit for the period		**(3,599)**	**1,275**	N.M.
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation		1,113	(2,326)	N.M.
Other comprehensive income for the period		**1,113**	**(2,326)**	N.M.
Total comprehensive income for the period		**(2,486)**	**(1,051)**	136.5
(Loss)/Profit for the period attributable to:				
Owners of the Company		(3,599)	1,275	N.M.
Comprehensive income attributable to:				
Owners of the Company		**(2,486)**	**(1,051)**	136.5
Earnings per share for the profit for the period attributable to the owners of the Company during the period				
Basic (SGD in cent)		(1.13)	0.43	
Diluted (SGD in cent)		(1.09)	0.43	

B Condensed interim statements of financial position

	Group		Company	
	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
	$'000	$'000	$'000	$'000
ASSETS				
Non-current assets				
Plant and equipment	2,064	2,212	2	3
Right-of-use assets	3,633	4,614	-	-
Investment in subsidiaries	-	-	45,373	44,643
Intangible assets	10,996	10,760	-	-
Finance lease receivables	38	8	-	-
Deferred tax assets	8,059	6,536	-	-
Total non-current assets	**24,790**	**24,130**	**45,375**	**44,646**
Current assets				
Inventories	29,838	24,827	-	-
Trade and other receivables	37,730	37,714	25,646	28,401
Prepayments	8,280	10,072	25	71
Finance lease receivables	97	57	-	-
Cash and bank balances	29,891	32,745	13,650	8,605
Total current assets	**105,836**	**105,415**	**39,321**	**37,077**
Total assets	**130,626**	**129,545**	**84,696**	**81,723**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	38,074	44,042	1,498	1,584
Deferred income	14,674	9,425	-	-
Loans and borrowings	14,541	13,164	-	-
Lease liabilities	1,446	1,809	-	-
Income tax payable	2,329	2,111	1,000	1,000
Total current liabilities	**71,064**	**70,551**	**2,498**	**2,584**
Non-current liabilities				
Deferred tax liabilities	58	60	60	60
Loans and borrowings	1,854	1,838	-	-
Lease liabilities	3,036	3,692	-	-
Provisions	531	812	-	-
Deferred income	1,134	510	-	-
Total non-current liabilities	**6,613**	**6,912**	**60**	**60**
Total liabilities	**77,677**	**77,463**	**2,558**	**2,644**
Equity attributable to owners of the Company				
Share capital	81,483	75,106	81,483	75,106
Retained earnings	19,824	26,628	87	3,586
Other reserves	(48,358)	(49,652)	568	387
Equity attributable to owners of the Company	**52,949**	**52,082**	**82,138**	**79,079**
Total equity	**52,949**	**52,082**	**82,138**	**79,079**
Total equity and liabilities	**130,626**	**129,545**	**84,696**	**81,723**

C Condensed interim statements of changes in equity

Group	Share Capital	Retained Earnings	Other Reserves	Equity attributable to owners of the Company	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2023	**75,106**	**26,628**	**(49,652)**	**52,082**	**52,082**
Total comprehensive income for the period	-	(3,599)	1,113	(2,486)	**(2,486)**
Share issuance	5,356	-	-	5,356	**5,356**
Issuance of new shares pursuant to performance share plan	1,021	-	(1,021)	-	**-**
Share-based payment	-	-	1,202	1,202	**1,202**
Issuance of ordinary shares pursuant to PSP				-	**-**
Dividends	-	(3,205)	-	(3,205)	**(3,205)**
Balance as at 30 June 2023	**81,483**	**19,824**	**(48,358)**	**52,949**	**52,949**
Balance as at 1 January 2022 (restated)	**74,695**	**26,806**	**(46,394)**	**55,107**	**55,107**
Total comprehensive income for the period	-	1,275	(2,326)	(1,051)	**(1,051)**
Issuance of new shares pursuant to performance shares plan	411	-	(411)	-	**-**
Share-based payment	-	-	453	453	**453**
Balance as at 30 June 2022	**75,106**	**28,081**	**(48,678)**	**54,509**	**54,509**

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2023	**75,106**	**3,586**	**387**	**79,079**
Total comprehensive income for the period	-	(294)	-	**(294)**
Share issuance	5,356	-	-	**5,356**
Issuance of new shares pursuant to performance share plan	1,021	-	(1,021)	**-**
Share-based payment	-	-	1,202	**1,202**
Dividends	-	(3,205)	-	**(3,205)**
Balance as at 30 June 2023	**81,483**	**87**	**568**	**82,138**
Balance as at 1 January 2022	**74,695**	**(2,576)**	**126**	**72,245**
Total comprehensive income for the period	-	179	-	**179**
Issuance of new shares pursuant to performance share plan	411	-	(411)	**-**
				-
Share-based payment	-	-	453	**453**
Balance as at 30 June 2022	**75,106**	**(2,397)**	**168**	**72,877**

D Condensed interim consolidated statement of cash flows

	Group	
	1H2023	1H2022
	$'000	$'000
<u>**Cash flows from operating activities**</u>		
(Loss) / profit before tax	**(4,318)**	**1,533**
Adjustments for:		
Depreciation of plant and equipment	533	591
Depreciation of right-of-use assets	1,035	1,398
Amortisation of intangible assets	135	138
Share based payment	1,203	453
Gain on disposal of plant and equipment	(8)	-
Interest income	(20)	(22)
Finance costs	697	368
Allowance for stock obsolescence	366	2,158
Impairment loss on trade and other receivables	430	66
Provisions	(126)	(42)
Exchange differences	291	(1,414)
Operating cash flows before changes in working capital	**218**	**5,227**
Increase in inventories	(5,355)	(2,120)
(Increase)/decrease in trade and other receivables	(501)	4,628
Decrease/(increase) in finance lease receivables	(56)	252
Decrease in prepayment	1,792	1,273
Increase/(decrease) in deferred income	5,873	(3,536)
Decrease in trade and other payables and provisions	(6,134)	(709)
Net cash (used in)/ generated from operations	**(4,163)**	**5,015**
Income taxes (paid)/refund	(486)	988
Net cash (used in) / generated from operating activities	**(4,649)**	**6,003**
<u>**Cash flows from investing activities**</u>		
Purchase of plant and equipment	(367)	(1,029)
Proceeds from disposal of plant and equipment	9	-
(Placement of)/ proceeds from fixed deposits	(2)	1
Interest received	20	22
Net cash used in investing activities	**(340)**	**(1,006)**
<u>**Cash flows from financing activities**</u>		
Issuance of share capital	5,356	-
Proceeds from loans and borrowings	16,336	47,867
Repayments of loans and borrowings	(15,086)	(45,428)
Payment of principal portion of lease liabilities	(1,080)	(1,477)
Interest paid	(697)	(368)
Dividends paid	(3,205)	-
Net cash generated from financing activities	**1,624**	**594**
Net (decrease)/increase in cash and cash equivalents	**(3,365)**	**5,591**
Effect of exchange rate changes on cash and cash equivalents	515	32
Cash and cash equivalents at beginning of the financial period	32,625	29,472
Cash and cash equivalents at end of the financial period	**29,775**	**35,095**
Cash and cash equivalents comprise the following:		
Cash and bank balances	29,891	35,219
Less: Pledged deposits	(116)	(124)
Cash and cash equivalents	**29,775**	**35,095**

E Notes to the condensed interim consolidated financial statements

1. Corporate information

Procurri Corporation Limited ("Procurri" or the "Company", and together with its subsidiaries, the "Group") is a public listed company incorporated and domiciled in Singapore.

Procurri's principal business is providing sustainable IT solutions to enterprises globally. Procurri's solutions cover the full IT equipment lifecycle, from purchasing to operations to end-of-life/equipment disposition. These solutions are delivered through activities including the sales and rental of enterprise IT equipment, the provision of independent maintenance services, and the provision of additional services including IT asset disposal, repair, reverse logistics, and data center services.

Procurri is listed on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 July 2016.

The registered office and principal place of business of the Company is located at 8 Aljunied Avenue 3, The Pulse, Singapore 389933.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore Dollars (SGD or $) which is the Company's functional currency, and all values are rounded to the nearest thousand ($'000), unless otherwise indicated.

2.1 Changes in accounting policies

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are as follow:

• Provision for Expected Credit Losses ("ECLs") of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

• Allowance for stock obsolescence

Inventory is stated at the lower of cost and net realisable value ("NRV"). The Group's inventories mainly consist of computer hardware and peripheral equipment, which are subject to risk of obsolescence due to technological advancements or changes in consumers' preferences. The determination of allowance for stock obsolescence to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of write-down required.

• Impairment assessment of goodwill and cost of investment in subsidiaries

The Group's goodwill and the Company's cost of investment in subsidiaries are subjected to impairment assessment. Management assesses goodwill impairment annually. For cost of investment in subsidiaries, management performs an assessment to ascertain whether indicators of impairment are present. For impairment assessment, management uses a discounted cash flow model which involves significant judgement in estimating the recoverable values of these assets. Any shortfall of the recoverable values against the carrying amounts of these assets will be recognized as impairment losses. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:

- Segment 1: Hardware, Lifecycle Services and IT Asset Disposition ("Lifecycle Services") business includes revenue derived from (i) Hardware Resale, which comprises income derived from the distribution of IT hardware, including but not limited to pre-owned servers, storage and networking equipment; (ii) Supply Chain Management, where income is derived from assisting OEMs in the distribution of their goods as part of their supply chain activities; (iii) the provision of service to extend the life of IT equipment while extracting the highest possible value for retired technology, by means of equipment refurbishment, data destruction services, and other lifecycle services to help our customers yield greater corporate and environment sustainability; and (iv) flexible, non-speculative trading in volume, at high velocity and higher conversion rates to execute a transaction ("ITAD Arbitrage").

- Segment 2: Third Party Maintenance ("TPM") business includes revenue derived from renewable maintenance contracts (i) where we provide the rendering of IT maintenance services for a variety of IT systems and networks; (ii) sales of maintenance parts tied to systems on the renewable contract and (iii) professional services tied to systems on the renewable contracts.

Management monitors the operating results of its segments separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is monitored based on revenue and gross profit. Selling expenses, administrative expenses, finance costs, assets and liabilities are managed on a legal entity basis.

The following table presents revenue and timing of transfer of goods or services for the Group's operating segments for 1H2023 and 1H2022, respectively:

	Hardware, Lifecycle Services and IT Asset Disposition		Third Party Maintenance		Total	
	1H2023	**1H2022**	**1H2023**	**1H2022**	**1H2023**	**1H2022**
	$'000	$'000	$'000	$'000	$'000	$'000
Major revenue stream						
Sale of goods	64,262	83,425	1,376	2,242	65,638	85,667
Rendering of services	10,661	8,754	21,320	22,965	31,981	31,719
Equipment rental and leasing	2,342	3,705	-	-	2,342	3,705
	77,265	95,884	22,696	25,207	99,961	121,091
Timing of transfer of goods or services						
At a point in time	74,923	92,179	1,376	2,242	76,299	94,421
Over time	2,342	3,705	21,320	22,965	23,662	26,670
	77,265	95,884	22,696	25,207	99,961	121,091

Geographical information

The following table presents revenue and non-current assets information based on the geographical location as at 30 June 2023:

	1H2023	**1H2022**	**Increase / (decrease)**
	$'000	$'000	%
Geographical information by revenue			
Singapore	5,492	5,414	1.4
EMEA	37,153	45,373	(18.1)
Americas	53,860	67,329	(20.0)
Others	3,456	2,975	16.2
	99,961	121,091	(17.4)

	30-Jun-23	**31-Dec-22**	**Increase / (decrease)**
	$'000	$'000	%
Geographical information by non current assets			
Singapore	224	417	(46.3)
EMEA	11,218	11,062	1.4
Americas	3,563	4,297	(17.1)
Others	1,688	1,810	(6.7)
	16,693	17,586	(5.1)

Non-current assets information presented above consist of plant and equipment, right-of-use assets and intangible assets as presented in the condensed interim consolidated balance sheets.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group and the Company as at 30 June 2023 and 31 December 2022:

	The Group		The Company	
	30-Jun-23	31-Dec-22	30-Jun-23	31-Dec-22
	$'000	$'000	$'000	$'000
Financial assets				
Finance lease receivables	135	65	-	-
Cash and bank balances and trade and other receivables (Amortised cost)	67,621	70,459	39,296	37,006
	67,756	70,524	39,296	37,006
Financial liabilities				
Trade and other payables and borrowings (Amortised cost)	54,469	59,044	1,498	1,584

6. Profit before taxation

6.1. Significant items

	The Group	
	1H2023	1H2022
	$'000	$'000
Income		
Interest income	20	22
Others	59	89
Expenses		
Impairment loss on trade and other receivables	(430)	(66)
Allowance for stock obsolescence		
- Hardware, Lifecycle Services and IT Asset Disposition ("HW and ITAD") trading inventories	(366)	(2,158)
Interest expense	(697)	(368)
Depreciation of plant and equipment	(533)	(591)
Depreciation of right-of-use assets	(1,035)	(1,398)
Amortisation of intangible assets	(135)	(138)
Foreign exchange gain, net	321	1,015
Gain on disposal of plant and equipment	8	-

6.2. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	The Group	
	1H2023	1H2022
	$'000	$'000
Current income tax expense/(credit)	706	258
Deferred income tax expense/(credit) relating to origination and reversal of temporary differences	(1,425)	-
	(719)	258

8. Dividends

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

9. Net Asset Value

	The Group		The Company	
	30-Jun-23	**31-Dec-22**	**30-Jun-23**	**31-Dec-22**
Net asset value per share (cents)	16.52	17.62	25.62	26.75
Number of shares in issue ('000)	320,541	295,590	320,541	295,590

10. Intangible assets

The Group	**Goodwill**	**Customer relationship**	**Technical know-how**	**Software**	**Total**
	$'000	$'000	$'000	$'000	$'000
<u>Cost:</u>					
At 1 January 2022	12,261	946	2,598	1,337	17,142
Exchange differences	(1,242)	-	-	36	(1,206)
At 31 December 2022 and 1 January 2023	11,019	946	2,598	1,373	15,936
Exchange differences	371	-	-	1	372
At 30 June 2023	11,390	946	2,598	1,374	16,308
<u>Accumulated amortisation and impairment:</u>					
At 1 January 2022	350	946	2,598	720	4,614
Amortisation charge for the year	-	-	-	279	279
Impairment loss	250	-	-	-	250
Exchange differences	-	-	-	33	33
At 31 December 2022 and 1 January 2023	600	946	2,598	1,032	5,176
Amortisation charge for the period	-	-	-	135	135
Exchange differences	-	-	-	1	1
At 30 June 2023	600	946	2,598	1,168	5,312
<u>Net book value:</u>					
At 31 December 2022	10,419	-	-	341	10,760
At 30 June 2023	10,790	-	-	206	10,996

The Company	**Technical know-how**
	$'000
<u>Cost:</u>	
At 31 December 2022, 1 January 2023 and 30 June 2023	2,598
<u>Accumulated amortisation and impairment:</u>	
At 1 January 2022	2,598
At 31 December 2022, 1 January 2023 and 30 June 2023	2,598
<u>Net book value:</u>	
At 31 December 2022	-
At 30 June 2023	-

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2022.

11. Plant and equipment

During the six months ended 30 June 2023, the Group acquired assets amounting to $367,000 (31 December 2022: $1,425,000) and undertook disposal / write-off of assets amounting to $1,000 net book value (31 December 2022: $49,000).

12. Inventories

	The Group	
	30-Jun-23	**31-Dec-22**
Balance sheet:	$'000	$'000
Computer equipment and peripheral equipment held for sal	29,838	24,827
Income statement:	**1H2023**	**1H2022**
Inventories recognised as an expense in cost of sales	53,275	62,571
Inclusive of the following charge:		
- Allowances for stock obsolescence	366	2,158

13. Trade and other receivables

The Group's trade receivables and allowance for expected credit loss of trade receivables as at 30 June 2023 was S$38,139,000 (31 December 2022: S$37,517,000) and S$2,026,000 (31 December 2022: S$1,794,000) respectively.

14. Borrowings

	The Group	
	30-Jun-23	**31-Dec-22**
	$'000	$'000
Amount repayable within one year or on demand		
Secured	13,967	12,693
Unsecured	574	471
Amount repayable after one year		
Secured	-	-
Unsecured	1,854	1,838

15. Share capital

	The Group and the Company			
	30-Jun-23		**31-Dec-22**	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Beginning of the period	295,590	75,106	294,238	74,695
Issue of ordinary shares pursuant to compliance placement	21,000	5,356	-	-
Issue of ordinary shares by virtue of exercise of share options	3,951	1,021	1,352	411
End of the period	320,541	81,483	295,590	75,106

The Company has no treasury shares.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2023 and 31 December 2022.

Share options – employee share option scheme

Between 1 January 2023 and 30 June 2023, the Company did not issue any shares under the employee share option scheme.

As at 30 June 2023, there were no outstanding options under the employee share option scheme (31 December 2022: NIL).

Performance share plan

Between 1 January 2023 and 30 June 2023, the Company granted 22,086,300 shares under the performance share plan.

As at 30 June 2023, the number of shares comprised in outstanding awards granted under the performance share plan was 19,749,100 (31 December 2022: 1,614,200).

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 to be issued pursuant to the awards shall be released to the respective participants after the respective performance periods.

16. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

PART II - OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1 Review

The condensed consolidated statement of financial position of the Group as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2 Review of performance of the Group

Normalised Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") and profit before tax

	1H2023 $'000	1H2022 $'000	Change $'000	Change %
Revenue	99,961	121,091	(21,130)	(17.4)
Gross profit	25,115	33,885	(8,770)	(25.9)
Operating expenses (Selling and Administrative expenses)	(28,714)	(33,044)	4,330	(13.1)
EBITDA	(1,918)	4,028	(5,946)	N.M.
Profit before tax	(4,318)	1,533	(5,851)	N.M.
Exceptional item				
Investment in additional resources	(2,060)	-	(2,060)	N.M.
Exchange gain	321	1,015	(694)	(68.4)
Total exceptional items	**(1,739)**	**1,015**	(2,754)	N.M.
Normalised operating expenses	**(26,654)**	**(33,044)**	6,390	(19.3)
Normalised EBITDA	**(179)**	**3,013**	(3,192)	N.M.
Normalised Profit before tax	**(2,579)**	**518**	(3,097)	N.M.

- The Group's revenue decreased from S$121.1 million in 1H2022 to S$100.0 million in 1H2023, with gross profit decreasing from S$33.9 million in 1H2022 to S$25.1 million in 1H2023 as a result of the slowdown in investment in the Information Technology sector post pandemic and easing of the supply chain bottlenecks.

- The Group's EBITDA decreased by S$5.9 million from S$4.0 million in 1H2022 to a loss of S$1.9 million in 1H2023, primarily due to the following:

  1. The decrease in revenue and gross profit in 1H2023;
  2. The investment in additional resources to develop new business offerings of S$2.1 million in 1H2023;
     - the processing facilities that process and dispose the end-of-life hardware for a global contract manufacturer in the hyperscale space
     - the additional cost incurred for the new e-Commerce business in the Americas
  3. The lower exchange gain of S$0.3 million in 1H2023 (as compared to S$1.0 million in 1H2022);

- On a normalised basis, the Group's operating expenses decreased by S$6.4 million from S$33.0 million in 1H2022 to S$26.7 million in 1H2023 as a result of the cost optimisation exercise in 2H2022.

The table below sets out the segmental performance of the Group.

Review of performance – 1H2023 vs 1H2022

	1H2023	1H2022	Change %
Revenue ($'000)			
Hardware*	66,604	87,130	(23.6)
Lifecycle Services*	10,661	8,754	21.8
Third Party Maintenance	22,696	25,207	(10.0)
Total	**99,961**	**121,091**	(17.4)
Gross Profit ($'000)			
Hardware*	12,196	21,531	(43.4)
Lifecycle Services*	4,012	3,041	31.9
Third Party Maintenance	8,907	9,313	(4.4)
Total	**25,115**	**33,885**	(25.9)
Gross Profit Margin (%)			
Hardware*	18.3	24.7	(6.4)
Lifecycle Services*	37.6	34.7	2.9
Third Party Maintenance	39.2	36.9	2.3
Total	**25.1**	**28.0**	(2.9)

Revenue and Gross Profit

* The Hardware, Lifecycle Services and IT Asset Disposition business segment is further subdivided into: 1) the Hardware business segment; and 2) the Lifecycle Services business segment in this paragraph to provide greater visibility of their respective business activities. The Hardware business segment consists of the distribution and trading of IT hardware equipment and the eCommerce business whereas the Lifecycle Services business segment includes the provision of services such as equipment refurbishment and data destruction services, modern workplace services (where the Group assists clients in asset deployment projects) and the consignment-based programs from contract manufacturing and hyperscale clients.

Procurri's revenue decreased by 17.4% from S$121.1 million in 1H2022 to S$100.0 million in 1H2023. The Hardware business segment's revenue decreased by 23.6% from S$87.1 million in 1H2022 to S$66.6 million in 1H2023, mainly due to lower contribution from the Americas and the Europe (including the United Kingdom), the Middle East and Africa ("EMEA") as a result of the slowdown in investment in the IT sector and easing of supply chain bottlenecks. The Lifecycle Services business segment's revenue increased by 21.8% from S8.8 million in 1H2022 to S$10.7 million in 1H2023 as the result of the increase in demand for its service offerings. Revenue from the Third-Party Maintenance ("TPM") business segment decreased by 10.0% from S$25.2 million in 1H2022 to S$22.7 million in 1H2023, mainly due to the decline in renewals and new sales in the Americas and EMEA. In comparison with 2H2022, TPM revenue decreased by 4.7% from S$23.8 million in 2H2022 to S$22.7 million in 1H2023.

The Group's overall gross profit decreased by 25.9% from S$33.9 million in 1H2022 to S$25.1 million in 1H2023 as a result of lower gross profit margin generated from the Hardware and TPM business segments. The Group's overall gross profit margin decreased by 2.9 percentage points from 28.0% in 1H2022 to 25.1% in 1H2023, mainly due to the lower margin from the Hardware business segment. During 1H2023, due to the easing of supply chain bottlenecks, the Group experienced some deceleration in investments in used IT equipment from our customers as compared to 1H2022. This softening in demand resulted in a reduction in the Group's gross profit margin.

This is partially offset by the higher margin from the Lifecycle Services and TPM business segment, from 34.7% in 1H2022 to 37.6% in 1H2023 and 36.9% 1H2022 to 39.2% in 1H2023 respectively. Gross profit from the TPM business segment increased by 19.9% (or S$1.5 million) from S$7.4 million in 2H2022 to S$8.9 million in 1H2023, as a result of the cost optimisation exercise in 2H2022

Other credits

Other credits of S$0.3 million were mainly due to foreign exchange gain from the revaluation of USD and GBP denominated receivables.

Selling expenses

Selling expenses decreased by S$2.1 million, from S$15.2 million in 1H2022 to S$13.1 million in 1H2023 mainly due to lower pay-out of sales commission from the decrease in gross profit.

Administrative expenses

Administrative expenses decreased by S$2.3 million from S$17.8 million in 1H2022 to S$15.6 million in 1H2023. The decrease was mainly due to the decrease in staff costs resulting from a reduction in the number of employees, and the absence of one-off professional fees related to corporate actions incurred in 1H2022.

Finance costs

Finance costs increased by S$0.3 million from S$0.4 million in 1H2022 to S$0.7 million in 1H2023, as a result of higher interest rate.

Other charges

Other charges increased by S$0.3 million from S$0.1 million in 1H2022 to S$0.4 million in 1H2023, mainly due to the increase in impairment loss on trade and other receivables.

Profit before and after tax

As a result of the above, the Group recorded a pre-tax loss of S$4.3 million in 1H2023 as compared to a profit of S$1.5 million in 1H2022 and income tax credit of S$0.7 million in 1H2023 as compared to income tax expense of S$0.3 million in 1H2022. The income tax credit recorded in 1H2023 was mainly due to recognition of deferred tax assets.

The Group recorded loss after tax of S$3.6 million in 1H2023 as compared to profit after tax of S$1.3 million in 1H2022.

Review of financial position

Non-current assets

- Plant and equipment decreased by S$0.1 million from S$2.2 million as at 31 December 2022 to S$2.1 million as at 30 June 2023. The decrease during the period was mainly due to the depreciation charges offset by purchase of plant and equipment.

- The right-of-use assets decreased by S$1.0 million from S$4.6 million as at 31 December 2022 to S$3.6 million as at 30 June 2023. The decrease was mainly due to depreciation charges for the period.

- Intangible assets increased by S$0.2 million from S$10.8 million as at 31 December 2022 to S$11.0 million as at 30 June 2023 as a result of the foreign exchange gain from GBP revaluation offset against the amortisation charges for the period.

- Deferred tax assets increased by S$1.5 million from S$6.5 million as at 31 December 2022 to S$8.1 million as at 30 June 2023 due to origination of temporary difference resulted from trade losses during the period.

Current assets

- Inventories increased by S$5.0 million from S$24.8 million as at 31 December 2022 to S$29.8 million as at 30 June 2023 as a result of stocking to ensure product availability and the drop in market demand for certain products.

- Trade and other receivables stood at S$37.7 million as at 31 December 2022 and 30 June 2023. The increase in trade and other receivables was offset by impairment charges.

- Prepayments decreased by S$1.8 million mainly due to lower advance payments made to suppliers.

- The movement in cash and bank balances is shown in the statement of cash flows and review of cash flows.

Liabilities

- Trade and other payables decreased by S$6.0 million from S$44.0 million as at 31 December 2022 to S$38.1 million as at 30 June 2023. The decrease was mainly due to payment made to suppliers.

- Deferred income (both current and non-current) principally comprised deferred maintenance revenue from signed maintenance contracts. Deferred income increased by S$5.9 million from S$9.9 million as at 31 December 2022 to S$15.8 million as at 30 June 2023 as a result of renewal of signed maintenance contracts in 1H2023.

- The loans and borrowings (both current and non-current) increased by S$1.4 million, from S$15.0 million as at 31 December 2022 to S$16.4 million as at 30 June 2023. The increase was mainly due to utilisation of short-term trade facilities.

- The decrease in lease liabilities (both current and non-current) of S$1.0 million was mainly due to repayment of leases during the period.

- Income tax payables increased by S$0.2 million to S$2.3 million as at 30 June 2023 mainly due to the increase in the income tax expense for the period.

- Provisions decreased by S$0.3 million to S$0.5 million as at 30 June 2023 mainly due to the dilapidations claim in respect of a leasehold premises.

Net working capital position

The Group recorded a positive working capital of S$34.8 million as at 30 June 2023 as compared to S$34.9 million as at 31 December 2022.

Review of cash flows

Net cash used in operating activities in 1H2023 amounted to S$4.6 million as compared to S$6.0 million generated in 1H2022. The decrease was mainly due to the lower operation cash flow before changes in working capital, the increase in inventories and trade and other receivables amounting to S$5.4 million and S$0.5 million respectively and the decrease in trade and other payables and provisions of S$6.1 million. This was partially offset by the decrease in prepayment of S$1.8 million and increase in deferred income of S$5.9 million.

Net cash used in investing activities amounted to S$0.3 million in 1H2023 as compared to S$1.0 million in 1H2022. The cash used in 1H2023 was mainly for purchase of plant and equipment of S$0.4 million.

Net cash generated from financing activities in 1H2023 amounted to S$1.6 million as compared to S$0.6 million in 1H2022. The cash generated from financing activities in 1H2023 was mainly due to the proceeds from borrowings and share placement of S$16.3 million and S$5.4 million respectively, partially offset by the repayment of borrowings of S$15.1 million, dividend payment of S$3.2 million, the repayment of lease liabilities of S$1.1 million and the interest paid of S$0.7 million.

3 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.

4 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.

Procurri is placing more significant emphasis and has invested additional resources in 1H2023 on developing its e-Commerce platform for the distribution of hardware equipment for wider reach, and developing and expanding its Lifecycle Services offerings such as Modern Workplace Solutions and Professional Services where the Group assists clients in asset deployment projects and the consignment-based programs from contract manufacturing and hyperscale clients.

The strategic focus to invest in the processing facilities that process and dispose of end-of-life hardware has resulted in the Group's ability to secure a partnership with a contract manufacturer, where it leverages on the Group's sustainability credentials, thinking and reporting metrics to address the rising demand for responsible IT Asset disposition solutions for hyperscalers. Whilst the engagement is in its infancy, the Group is optimistic about the potential that this partnership could deliver.

After a significant cost rationalization exercise at the end of 2022. the TPM business segment improved significantly and the Group's channel centric approach (by focusing on quality clients and tailoring solutions to meet their needs) has delivered some significant new wins, coupled with higher renewal rates from the existing business.

The Group's cost structure are not fully optimized yet and the Group will continue to rationalize its cost structure to build its resilience in an evolving market. Focus shall remain steadfast on inventory management, cost rationalization and to continue to focus on new businesses to enhance the current offering.

5 If a decision regarding dividend has been made:

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

No dividend has been declared or recommended for current financial period reported on.

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

None.

c The date the dividend is payable.

Not applicable.

d Book closure date

Not applicable.

6 If the Company 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.

No IPT mandate has been obtained in the Annual General Meeting on 28 April 2023.

7 Use of proceeds

<u>Placement</u>

The Company received net proceeds (after deducting placement expenses of approximately S$1.0 million) from the placement of approximately S$5.3 million (the "Placement Net Proceeds"). As at the date of this announcement, the Placement Net Proceeds have been utilised as follows:

Use of Proceeds	Estimated amount S$ million	Placement Net Proceeds utilised as at the date of this announcement S$ million	Balance of Placement Net Proceeds as at the date of this announcement S$ million
Merger and acquisitions, joint ventures and partnerships	1.6 to 3.7	-	5.3
Working capital purposes	1.6 to 3.7	-	
	5.3	-	5.3

The Company will make periodic announcements on the use of Placement Net Proceeds as and when such proceeds are materially disbursed.

8 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 six-month period ended 30 June 2023 to be false or misleading in any material aspect.

9 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
Wong Kok Khun
Executive Chairman
14 August 2023