**PROCURRI CORPORATION LIMITED**
**(Registration No: 201306969W)**
**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT**
**FOR THE PERIOD ENDED 30 JUNE 2017 ("1H2017")**

## 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** | **2Q2017** | **2Q2016** | **Change** | **1H2017** | **1H2016** | **Change** |
|---|---|---|---|---|---|---|
| | **$'000** | **$'000** | **%** | **$'000** | **$'000** | **%** |
| **Revenue** | 43,595 | 35,937 | 21.3 | 81,899 | 61,965 | 32.2 |
| Cost of sales | (30,120) | (23,257) | 29.5 | (55,560) | (41,226) | 34.8 |
| **Gross profit** | **13,475** | **12,680** | 6.3 | **26,339** | **20,739** | 27.0 |
| **Other items of income** | | | | | | |
| Other income | 497 | 382 | 30.1 | 1,041 | 705 | 47.7 |
| Other credits | - | 5 | NM | - | 273 | NM |
| **Other items of expense** | | | | | | |
| Selling expenses | (2,045) | (2,417) | (15.4) | (4,506) | (4,420) | 1.9 |
| Administrative expenses | (12,308) | (5,913) | 108.2 | (22,123) | (11,761) | 88.1 |
| Finance costs | (155) | (163) | (4.9) | (318) | (353) | (9.9) |
| Other charges | (959) | (567) | NM | (1,905) | (725) | NM |
| **(Loss)/profit before tax** | **(1,495)** | **4,007** | NM | **(1,472)** | **4,458** | NM |
| Income tax expense | (175) | (1,084) | NM | (34) | (1,441) | NM |
| **(Loss)/profit, net of tax** | **(1,670)** | **2,923** | NM | **(1,506)** | **3,017** | NM |
| **(Loss)/profit attributable to:** | | | | | | |
| Owners of the Company | (1,670) | 2,923 | NM | (1,506) | 3,017 | NM |
| **(Loss)/profit for the period** | **(1,670)** | **2,923** | NM | **(1,506)** | **3,017** | NM |

**Statement of comprehensive income**

| | Note | 2Q2017 $'000 | 2Q2016 $'000 | Change % | 1H2017 $'000 | 1H2016 $'000 | Change % |
|---|---|---|---|---|---|---|---|
| **(Loss)/profit for the period** | | **(1,670)** | **2,923** | NM | **(1,506)** | **3,017** | NM |
| **Other comprehensive income** | | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | |
| Foreign currency translation | 1 | 412 | (1,025) | NM | (181) | (2,280) | 92.1 |
| Other comprehensive income for the period | | **412** | **(1,025)** | NM | **(181)** | **(2,280)** | 92.1 |
| **Total comprehensive income for the period** | | **(1,258)** | **1,898** | NM | **(1,687)** | **737** | NM |
| **(Loss)/profit for the period attributable to:** | | | | | | | |
| Owners of the Company | | (1,670) | 2,923 | NM | (1,506) | 3,017 | NM |
| **Comprehensive income attributable to:** | | | | | | | |
| Owners of the Company | | **(1,258)** | **1,898** | NM | **(1,687)** | **737** | NM |

**Notes to Income Statement**

| | Note | 2Q2017 $'000 | 2Q2016 $'000 | Change % | 1H2017 $'000 | 1H2016 $'000 | Change % |
|---|---|---|---|---|---|---|---|
| *Other income* | | | | | | | |
| Interest income | | 52 | 26 | NM | 107 | 50 | NM |
| Others | | 445 | 356 | 25.0 | 934 | 655 | 42.6 |
| | | 497 | 382 | | 1,041 | 705 | |
| *Other credits* | | | | | | | |
| Reversal of allowance for trade receivables | | - | - | NM | - | 268 | NM |
| Gain on disposal of plant and equipment | | - | 5 | NM | - | 5 | NM |
| | | - | 5 | | - | 273 | |
| *Other charges* | | | | | | | |
| Loss on disposal of plant and equipment | | 76 | - | NM | 76 | - | NM |
| Provision for stock obsolescence | 2 | 506 | 520 | (2.7) | 968 | 637 | 52.0 |
| Allowance for trade receivables | 3 | 2 | - | NM | 123 | - | NM |
| Foreign exchange loss | 4 | 375 | 47 | NM | 738 | 88 | NM |
| | | 959 | 567 | | 1,905 | 725 | |
| Other items | | | | | | | |
| Depreciation of plant and equipment | 5 | 2,121 | 880 | NM | 3,380 | 1,749 | 93.3 |
| Amortisation of intangible assets | | 189 | 189 | NM | 378 | 378 | NM |
| Interest expense | | 155 | 163 | (4.9) | 318 | 353 | (9.9) |

NM - Not meaningful

Notes:

1. The decrease in exchange differences on translating foreign operations was mainly due to the movement of Sterling Pound ("GBP") against Singapore Dollar ("$"). The GBP weakened 13.3% in 1H2016, from $2.10/GBP in December 2015 to $1.82/GBP in June 2016, versus a strengthening of 0.9% in 1H2017 from $1.78/GBP in December 2016 to $1.79/GBP in June 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 provision made as a result of the increase in the average age of the receivables.
4. The foreign exchange loss mainly arose from the revaluation of US Dollar ("USD") denominated receivables. The USD weakened from $1.45/USD in December 2016 to $1.38/USD in June 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-Jun-17 | 31-Dec-16 | 30-Jun-17 | 31-Dec-16 |
| | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Plant and equipment | 27,529 | 11,304 | 22,327 | 7,116 |
| Investments in subsidiaries | - | - | 43,482 | 42,564 |
| Intangible assets | 14,033 | 14,322 | 1,819 | 2,079 |
| Finance lease receivables | 1,694 | 1,677 | - | - |
| Deferred tax assets | 538 | 554 | - | - |
| **Total non-current assets** | **43,794** | **27,857** | **67,628** | **51,759** |
| **Current assets** | | | | |
| Inventories | 18,798 | 15,641 | - | - |
| Trade and other receivables | 51,826 | 39,410 | 13,775 | 11,214 |
| Prepayments | 5,133 | 2,868 | 21 | 11 |
| Finance lease receivables | 768 | 1,299 | - | - |
| Cash and bank balances | 15,861 | 30,006 | 7,887 | 18,170 |
| **Total current assets** | **92,386** | **89,224** | **21,683** | **29,395** |
| **Total assets** | **136,180** | **117,081** | **89,311** | **81,154** |
| **EQUITY AND LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 22,833 | 24,670 | 1,889 | 6,007 |
| Advance billings | 16,756 | 3,452 | - | - |
| Loans and borrowings | 18,174 | 13,607 | 6,932 | 2,960 |
| Income tax payable | 1,408 | 1,033 | 7 | - |
| | **59,171** | **42,762** | **8,828** | **8,967** |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 507 | 508 | 167 | 167 |
| Loans and borrowings | 9,796 | 4,480 | 8,922 | 3,186 |
| Provisions | 834 | 827 | - | - |
| Deferred income | 1,361 | 1,422 | - | - |
| **Total non-current liabilities** | **12,498** | **7,237** | **9,089** | **3,353** |
| **Total liabilities** | **71,669** | **49,999** | **17,917** | **12,320** |
| **Equity attributable to owners of the Company** | | | | |
| Share capital | 70,068 | 70,068 | 70,068 | 70,068 |
| Retained earnings | 17,216 | 20,052 | 672 | (1,442) |
| Other reserves | (22,773) | (23,038) | 654 | 208 |
| **Equity attributable to owners of the Company** | **64,511** | **67,082** | **71,394** | **68,834** |
| Non-controlling interests | - | - | - | - |
| **Total equity** | **64,511** | **67,082** | **71,394** | **68,834** |
| **Total equity and liabilities** | **136,180** | **117,081** | **89,311** | **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.**

| | As at 30-Jun-17 | | | As at 31-Dec-16 | | |
|---|---|---|---|---|---|---|
| **Group** | **Secured $'000** | **Unsecured $'000** | **Total $'000** | **Secured $'000** | **Unsecured $'000** | **Total $'000** |
| Amount repayable in one year or less, on demand | 9,225 | 8,949 | **18,174** | 7,090 | 6,517 | **13,607** |
| Amount repayable after one year | 589 | 9,207 | **9,796** | 900 | 3,580 | **4,480** |
| | **9,814** | **18,156** | **27,970** | **7,990** | **10,097** | **18,087** |
| Borrowings comprise of: | | | | | | |
| Bank term loans | - | 22,764 | **22,764** | - | 8,195 | **8,195** |
| Short term trade facilities | 563 | - | **563** | 6,435 | 381 | **6,816** |
| Finance lease obligations | 1,203 | 502 | **1,705** | 1,555 | 607 | **2,162** |
| Trade receivables factoring | 2,614 | - | **2,614** | - | - | **-** |
| Bank overdrafts | - | - | **-** | - | 548 | **548** |
| Others | - | 324 | **324** | - | 366 | **366** |
| | **4,380** | **23,590** | **27,970** | **7,990** | **10,097** | **18,087** |

**Details of collaterals**

The secured short-term trade facilities of $0.6 million as at 30 June 2017 (31 December 2016: $6.4 million) include trust receipts and trade receivables factoring. The finance lease obligations of $1.2 million as at 30 June 2017 are secured by charges over the fixed assets with a carrying amount of $1.5 million as at 30 June 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 | |
|---|---|---|---|---|
| | 2Q2017 | 2Q2016 | 1H2017 | 1H2016 |
| | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | |
| (Loss)/profit before tax | **(1,495)** | **4,007** | **(1,472)** | **4,458** |
| Adjustments for: | | | | |
| Depreciation of plant and equipment | 2,121 | 880 | 3,380 | 1,749 |
| Amortisation of intangible assets | 189 | 189 | 378 | 378 |
| Share based payment | 290 | - | 446 | - |
| Loss/(gain) on disposal of plant and equipment | 76 | (5) | 76 | (5) |
| Inventories written down | 506 | 520 | 968 | 637 |
| Allowance for/(reversal of) trade receivables | 2 | - | 123 | (268) |
| Interest income | (52) | (26) | (107) | (50) |
| Interest expense | 155 | 163 | 318 | 353 |
| Unrealised exchange loss/(gain) | 194 | (200) | (323) | (880) |
| **Operating cash flows before changes in working capital** | **1,986** | **5,528** | **3,787** | **6,372** |
| Increase in inventories | (326) | (1,674) | (4,189) | (3,295) |
| Increase/(decrease) in trade and other receivables | (5,678) | 173 | (10,821) | (3,165) |
| Decrease in finance lease receivables | 6 | 231 | 514 | 288 |
| Increase in prepayment | (1,856) | (1,660) | (2,264) | (2,770) |
| Increase in advance billing | 6,033 | 1 | 13,304 | 1,707 |
| (Decrease)/increase in trade and other payables | 2,116 | (8,862) | (2,221) | (3,149) |
| **Net cash generated from/(used in) operations** | **2,281** | **(6,263)** | **(1,890)** | **(4,012)** |
| Income taxes paid | (1,444) | (854) | (1,505) | (944) |
| **Net cash generated from/(used in) operating activities** | **837** | **(7,117)** | **(3,395)** | **(4,956)** |
| **Cash flows from investing activities** | | | | |
| Purchase of plant and equipment | (346) | (1,155) | (11,186) | (1,912) |
| Proceeds from disposal of plant and equipment | 104 | 924 | 104 | 924 |
| Proceeds from maturity of fixed deposits | - | - | 3,000 | - |
| Interest received | 52 | 26 | 107 | 50 |
| **Net cash used in investing activities** | **(190)** | **(205)** | **(7,975)** | **(938)** |
| **Cash flows from financing activities** | | | | |
| Acquisition of non-controlling interest | - | - | - | (7,000) |
| Placement of fixed deposits pledged for bank facilities | (1,386) | 1 | (1,382) | (9) |
| Proceeds from loans and borrowings | 25,344 | 4,961 | 52,151 | 25,030 |
| Repayments of loans and borrowings | (24,026) | (4,635) | (49,993) | (22,538) |
| Increase in amounts due to related companies | 11 | 112 | 1 | 3,092 |
| Increase in amounts due to holding company | 155 | 5,673 | 304 | 7,668 |
| Decrease in amounts due to directors | - | - | - | (1,428) |
| Dividends paid | (1,330) | - | (1,330) | - |
| Interest paid | (155) | (163) | (318) | (353) |
| **Net cash (used in)/generated from financing activities** | **(1,387)** | **5,949** | **(567)** | **4,462** |
| Net decrease in cash and cash equivalents | **(740)** | **(1,373)** | **(11,937)** | **(1,432)** |
| Effect of exchange rate changes on cash and cash equivalents | 51 | (13) | (42) | (51) |
| Cash and cash equivalents at beginning of the financial period | 14,973 | 4,008 | 26,263 | 4,105 |
| **Cash and cash equivalents at end of the financial period** | **14,284** | **2,622** | **14,284** | **2,622** |
| **Cash and cash equivalents comprise the following:** | | | | |
| Cash and bank balances | 15,861 | 4,103 | 15,861 | 4,103 |
| Less: Bank overdraft | - | (1,279) | - | (1,279) |
| Less: Pledged deposits | (1,577) | (202) | (1,577) | (202) |
| Cash and cash equivalents | **14,284** | **2,622** | **14,284** | **2,622** |

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 | - | (1,506) | (181) | (1,687) | - | **(1,687)** |
| Share-based payment | - | - | 446 | 446 | - | **446** |
| Dividends | - | (1,330) | - | (1,330) | - | **(1,330)** |
| **Balance as at 30 June 2017** | **70,068** | **17,216** | **(22,773)** | **64,511** | **-** | **64,511** |
| | | | | | | |
| **Balance as at 1 January 2016** | 33,062 | 14,913 | (13,749) | 34,226 | 98 | **34,324** |
| Total comprehensive income for the period | - | 3,017 | (2,280) | 737 | - | **737** |
| Acquisition of non-controlling interests in a subsidiary | - | - | (6,902) | (6,902) | (98) | **(7,000)** |
| **Balance as at 30 June 2016** | **33,062** | **17,930** | **(22,931)** | **28,061** | **-** | **28,061** |

| 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 | - | 3,444 | - | **3,444** |
| Share-based payment | - | - | 446 | **446** |
| Dividends | - | (1,330) | - | **(1,330)** |
| **Balance as at 30 June 2017** | **70,068** | **672** | **654** | **71,394** |
| | | | | |
| **Balance as at 1 January 2016** | 33,062 | 374 | - | **33,436** |
| Total comprehensive income for the period | - | 348 | - | **348** |
| **Balance as at 30 June 2016** | **33,062** | **722** | **-** | **33,784** |

**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 June 2017 | 280,000 | 70,068 |

**B) Share options – employee shares option scheme**

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

**C) Performance share plan**

As at 30 June 2017, the number of outstanding awards granted under the performance share plan was 7,161,500 (30 June 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 June 2017 and 30 June 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 June 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 six-month period ended 30 June 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 six-month period ended 30 June 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 six-month period ended 30 June 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** | **2Q2017** | **2Q2016** | **1H2017** | **1H2016** |
|---|---|---|---|---|
| Basic earnings per share (cents) | (0.60) | 1.38 | (0.54) | 1.43 |
| Weighted average number of shares ('000) | 280,000 | 211,120 | 280,000 | 211,120 |
| Fully diluted earnings per share (cents) | (0.59) | 1.38 | (0.53) | 1.43 |
| Weighted average number of shares ('000) | 283,033 | 211,120 | 283,033 | 211,120 |

**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-Jun-17** | **31-Dec-16** | **30-Jun-17** | **31-Dec-16** |
| Net asset value per share (cents) | 23.04 | 23.96 | 25.50 | 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 – 2Q2017 vs 2Q2016

| | 2Q2017 | 2Q2016 | Change % |
|---|---|---|---|
| **Revenue ($'000)** | | | |
| IT Distribution | 34,381 | 28,960 | 18.7 |
| Lifecycle Services | 9,214 | 6,977 | 32.1 |
| **Total** | **43,595** | **35,937** | 21.3 |
| **Gross Profit ($'000)** | | | |
| IT Distribution | 10,371 | 8,830 | 17.5 |
| Lifecycle Services | 3,104 | 3,850 | (19.4) |
| **Total** | **13,475** | **12,680** | 6.3 |
| **Gross Profit Margin (%)** | | | |
| IT Distribution | 30.2 | 30.5 | (0.3) |
| Lifecycle Services | 33.7 | 55.2 | (21.5) |
| **Total** | **30.9** | **35.3** | (4.4) |

The Group's revenue increased by 21.3% or $7.7 million from $35.9 million in 2Q2016 to $43.6 million in 2Q2017. Revenue from the IT Distribution and Lifecycle Services business segments increased by 18.7% and 32.1% respectively. The IT Distribution business segment revenue grew from $29.0 million in 2Q2016 to $34.4 million in 2Q2017. The increase was mainly contributed by the newly acquired subsidiary, EAF Supply Chain Limited ("EAF"), and the newly incorporated joint venture, Rockland Congruity LLC ("Rockland"). The revenue from the Lifecycle Services business segment increased from $7.0 million in 2Q2016 to $9.2 million in 2Q2017, mainly attributable to the better performance from North and South America (the "Americas") and the Europe (including the UK), Middle East and Africa ("EMEA") regions.

The Group's overall gross profit increased by 6.3% from $12.7 million in 2Q2016 to $13.5 million in 2Q2017, in line with higher revenue. However the Group's overall gross profit margin decreased by 4.4 percentage points from 35.3% in 2Q2016 to 30.9% in 2Q2017. The decrease in profit margin in the Lifecycle Services business segment from 55.2% in 2Q2016 to 33.7% in 2Q2017 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 the joint venture in Rockland), as well as depreciation charge of $1.0 million on the maintenance parts equipment procured in the set-up of the Global Parts Centre ("GPC") to support in-house maintenance business. This was offset by an increase in gross profit of 17.5% from the IT Distribution business segment, although gross margin remains relatively flat.

Selling expenses decreased by 15.4% or $0.4 million, from $2.4 million in 2Q2016 to $2.0 million in 2Q2017. The decrease was mainly due to lower sales commission in line with the decline in gross profit margin.

Administrative expenses increased by $6.4 million, from $5.9 million in 2Q2016 to $12.3 million in 2Q2017, a result of the increase in the aggregate staff cost, depreciation and other operating expenses. Maiden expenses from EAF and Rockland accounted for $4.5 million of the increase. The remaining $1.9 million increase was due to staff costs (excluding EAF and Rockland) which increased 26.4% or $1.0 million as a result of the higher headcount to support the Group's expansion plans. Rental and maiden post-listing compliance costs formed the rest of the increase.

The Group recorded a pre-tax loss of $1.5 million in 2Q2017 as compared to a profit of $4.0 million in 2Q2016, as a result of the above.

As previously disclosed in the Company's announcement dated 12 May 2017 for its unaudited financial statements for the first quarter ended 31 March 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 the Americas and, accordingly, lower revenue despite the Group building up a stronger orderbook as at 30 June 2017 compared to a year ago. The revenue impact from this change is approximately $3.2 million, and the impact to profit before tax is approximately $1.2 million.

The Group has an income tax expense of $0.2 million in 2Q2017 as compared to $1.1 million in 2Q2016, and a loss of $1.7 million for 2Q2017 as compared to a profit of $2.9 million in 2Q2016.

The Group recorded a loss after tax of $1.7 million in 2Q2017 as compared to a profit after tax of $2.9 million in 2Q2016.

Review of performance – 1H2017 vs 1H2016

| | 1H2017 | 1H2016 | Change % |
|---|---|---|---|
| **Revenue ($'000)** | | | |
| IT Distribution | 65,154 | 49,489 | 31.7 |
| Lifecycle Services | 16,745 | 12,476 | 34.2 |
| **Total** | **81,899** | **61,965** | 32.2 |
| **Gross Profit** | | | |
| IT Distribution | 20,303 | 14,486 | 40.2 |
| Lifecycle Services | 6,036 | 6,253 | (3.5) |
| **Total** | **26,339** | **20,739** | 27.0 |
| **Gross Profit Margin (%)** | | | |
| IT Distribution | 31.2 | 29.3 | 1.9 |
| Lifecycle Services | 36.0 | 50.1 | (14.1) |
| **Total** | **32.2** | **33.5** | (1.3) |

The Group's revenue increased by 32.2% or $19.9 million from $62.0 million in 1H2016 to $81.9 million in 1H2017. Revenue from the IT Distribution and Lifecycle Services business segments increased by 31.7% and 34.2% respectively. The IT Distribution business segment revenue grew from $49.5 million in 1H2016 to $65.2 million in 1H2017. The increase was mainly contributed by EAF and Rockland. The revenue from the Lifecycle Services business segment increased from $12.5 million in 1H2016 to $16.7 million in 1H2017, mainly attributable to the better performance from EMEA and the contribution from EAF and Rockland.

The Group's overall gross profit increased by 27.0% from $20.7 million to $26.3 million in line with higher revenue. On the other hand, the Group's overall gross profit margin decreased by 1.3 percentage points from 33.5% in 2Q2016 to 32.2% in 2Q2017. The decrease in profit margin in the Lifecycle Services business segment from 50.1% in 2Q2016 to 36.0% in 2Q2017 was due to adoption of revenue recognition over the contract durations arising from a change in business operations from outsourcing to in-house (via the joint venture in Rockland), as well as depreciation charge on the maintenance parts equipment procured in the set-up of the GPC to support in-house maintenance business. This was offset by an increase in gross profit of 40.2% from the IT Distribution business segment, where gross margin increased from 29.3% in 1H2016 to 31.2% in 1H2017.

Selling expenses increased marginally by 1.9% or $0.1 million, from $4.4 million in 1H2016 to $4.5 million in 1H2017.

Administrative expenses increased by $10.4 million, from $11.8 million in 2Q2016 to $22.1 million in 2Q2017, a result of the increase in the aggregate staff cost, depreciation and other operating expenses. Maiden expenses from EAF and Rockland accounted for $7.0 million of the increase. The remaining $3.4 million increase was due to staff costs (excluding EAF and Rockland) which increased 26.4% or $2.0 million as a result of the higher 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 $3.6 million and $1.3 million in profit before tax for 1H2017.

The Group had minimal income tax expense of $34,000 in 1H2017 as compared to $1.4 million in 1H2016 due mainly to losses incurred.

The Group recorded a loss of $1.5 million for 1H2017 as compared to a profit after tax of $3.0 million in 1H2016.

Review of financial position

**Non-current assets**

a) Plant and equipment increased by $16.2 million from $11.3 million as at 31 December 2016 to $27.5 million as at 30 June 2017. The addition of $19.7 million in plant and equipment was mainly due to the addition of $16.9 million in the maintenance parts equipment and $1.7 million for a "hardware as a service" contract in Singapore, where the customer is leasing a set of IT equipment in Singapore. 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 $16.9 million in maintenance parts was made to support the Group's third-party maintenance business. The increase was partially offset by depreciation charges of $3.4 million.

   At the Company level, the $15.2 million increase in plant and equipment was mainly due to purchase of maintenance parts of $16.9 million for Rockland's maintenance business, partially offset by depreciation charges of $2.2m.

b) Intangible assets decreased by $0.3 million mainly due to the amortisation charge of $0.4 million partially offset by the translation gain of $0.1 million on the balance of intangible assets as at 30 June 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 $2.5 million as at 30 June 2017, mainly due to the repayments, partially offset by the new lease secured during the period.

**Current assets**

d) Inventories increased by 20.2% or $3.2 million to $18.8 million as at 30 June 2017, of which $3.5 million was due to Rockland's set-up. Procurri LLC and EMEA 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 of $2.9 million in Singapore.

e) Trade and other receivables increased by 31.5% or $12.4 million to $51.8 million as at 30 June 2017. The increase in trade receivables was mainly due to $14.8 million of receivables from Rockland's set up. The increase in other receivables was mainly due to deposits made to a supplier on maintenance parts for the GPC. Both were partially offset by decrease in trade receivables from the rest of the operating entities.

f) Prepayment increased by $2.3 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 $9.9 million was mainly due to the increase in term loans and trade receivables factoring, partially offset by the decrease in short term trade facilities and trust receipts and the repayments.

i) The advance billings increased from $3.5 million as at 31 December 2016 to $16.8 million as at 30 June 2017, of which $9.4 million was from Rockland, which was consistent with the increased order book.

j) Trade and other payables decreased by $1.8 million to $22.8 million as at 30 June 2017.

**Net current position**

The Group recorded a positive working capital of $33.2 million as at 30 June 2017 as compared to $46.5 million as at 31 December 2016.

Review of cash flows

Net cash used in operating activities in 1H2017 amounted to $3.4 million as compared to $5.0 million in 1H2016. This was mainly due to the lower operating cash flows, the increase in inventories, trade and other receivables and prepayment of $4.2 million, $10.8 million and $2.3 million respectively and the decrease in trade and other payables of $2.2 million. This was partially offset by the increase in advance billings of $13.3 million.

Net cash used in investing activities was $8.0 million in 1H2017 as compared to $0.9 million in 1H2016. Net cash used in investing activities increased and was mainly attributable to the purchase of plant and equipment, partially offset by the proceeds from maturity of fixed deposits.

Net cash used in financing activities in 1H2017 amounted to $0.6 million as compared to a cash generated from financing activities of $4.5 million in 1H2016. The cash used in financing activities was primarily due to a pledge of fixed deposit of $1.4 million, the dividend payment to the Company's shareholders of $1.3 million and interest expenses paid of $0.3 million offset by net proceeds from loan and borrowings of $2.5 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.**

In line with its "Strategy Complete" roadmap, the Group is undergoing a transitional phase to grow the recurring revenue from the Lifecycle Services business segment for stable improved earnings over the long-term. This involves in-house maintenance business, as well as operating the GPC.

With maintenance contracts being handled in-house instead of outsourcing, this requires a straight-line recognition of the maintenance service revenue over the contract duration, in accordance with current SFRS. The revenue that is deferred from the Group′s maintenance commitments will build up into an order book, which stood at $20.2 million as at 30 June 2017 as compared to $5.9 million as at 31 December 2016.

Similarly, the setting up of the GPC to support inhouse maintenance will lead to higher depreciation charges initially while revenue is being built up.

As a result of the above, in the short term, the Group expects a negative impact on its financials. The Group expects this transitional phase to smoothen out in the financial year ending 31 December 2018 as it begins to reap the benefits of economies of scale and cross-selling opportunities. The Group will also continue to prospect selectively for acquisition targets that will enhance its capabilities, enlarge market share, and/or reap synergistic benefits.

**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 $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)<br>1 Jan 2017 to 30 Jun 2017<br>$'000 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)<br>1 Jan 2017 to 30 Jun 2017<br>$'000 |
|---|---|---|
| Provision of shared services by the DeClout Group | | |
| DeClout Limited | NA | 249 |

**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)<br>$ million | Net Proceeds utilised as at the date of this announcement<br>$ million | Balance of net proceeds as at the date of this announcement<br>$ 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 second quarter and six-month period ended 30 June 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
13 August 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.*