**PROCURRI CORPORATION LIMITED**
**Registration No: 201306969W)**
**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT**
**FOR THE PERIOD ENDED 31 December 2019 ("FY2019")**

## 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 | Note | 4Q2019 $'000 | 4Q2018 $'000 | Change % | FY2019 $'000 | FY2018 $'000 | Change % |
|---|---|---|---|---|---|---|---|
| **Revenue** | | 56,709 | 52,073 | 8.9 | 221,289 | 220,236 | 0.5 |
| Cost of sales | | (37,808) | (31,837) | 18.8 | (141,186) | (139,733) | 1.0 |
| **Gross profit** | | **18,901** | **20,236** | (6.6) | **80,103** | **80,503** | (0.5) |
| **Other items of income** | | | | | | | |
| Other income | | 339 | 586 | (42.2) | 1,246 | 1,704 | (26.9) |
| Other credits | | - | - | NM | 255 | 339 | (24.8) |
| **Other items of expense** | | | | | | | |
| Selling expenses | | (4,458) | (4,048) | 10.1 | (17,993) | (16,239) | 10.8 |
| Administrative expenses | | (13,575) | (12,326) | 10.1 | (54,436) | (49,985) | 8.9 |
| Finance costs | | (385) | (138) | 179.0 | (1,497) | (678) | 120.8 |
| Other charges | | (1,123) | (2,106) | (46.7) | (2,941) | (5,567) | (47.2) |
| **Profit/(loss) before tax** | | **(301)** | **2,204** | NM | **4,737** | **10,077** | (53.0) |
| Income tax expense | 1 | 369 | (534) | NM | (962) | (4,740) | (79.7) |
| **Profit, net of tax** | | **68** | **1,670** | (95.9) | **3,775** | **5,337** | (29.3) |
| **Profit attributable to:** | | | | | | | |
| Owners of the Company | | 68 | 1,670 | (95.9) | 3,775 | 5,337 | (29.3) |
| **Profit for the period** | | **68** | **1,670** | (95.9) | **3,775** | **5,337** | (29.3) |
| **Other comprehensive income** | | | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | |
| Foreign currency translation | 2 | 886 | (470) | NM | 267 | (452) | NM |
| Other comprehensive income for the period | | **886** | **(470)** | NM | **267** | **(452)** | NM |
| **Total comprehensive income for the period** | | **954** | **1,200** | (20.5) | **4,042** | **4,885** | (17.3) |
| **Profit for the period attributable to:** | | | | | | | |
| Owners of the Company | | 68 | 1,670 | (95.9) | 3,775 | 5,337 | (29.3) |
| **Comprehensive income attributable to:** | | | | | | | |
| Owners of the Company | | **954** | **1,200** | (20.5) | **4,042** | **4,885** | (17.3) |

**Statement of comprehensive income**

| | Note | 4Q2019 $'000 | 4Q2018 $'000 | Change % | FY2019 $'000 | FY2018 $'000 | Change % |
|---|---|---|---|---|---|---|---|
| *Other income* | | | | | | | |
| Interest income | | 37 | 61 | (39.3) | 181 | 241 | (24.9) |
| Fair value adjustment on financial liability | | - | 35 | (100.0) | - | - | NM |
| Others | | 302 | 490 | (38.4) | 1,065 | 1,463 | (27.2) |
| | | 339 | 586 | | 1,246 | 1,704 | |
| *Other credits* | | | | | | | |
| Gain on disposal of plant and equipment | | - | - | NM | 1 | - | NM |
| Foreign exchange gain | 3 | - | - | NM | 254 | 339 | (25.1) |
| | | - | - | | 255 | 339 | |
| *Other charges* | | | | | | | |
| Loss on disposal of plant and equipment | | - | 11 | NM | - | 12 | (100.0) |
| Allowance for trade receivables | 4 | 149 | 898 | (83.4) | 355 | 2,576 | (86.2) |
| Allowance for stock obsolescence | 5 | 637 | 1,015 | (37.2) | 1,999 | 2,965 | (32.6) |
| Foreign exchange loss | 3 | 143 | 182 | (21.4) | - | - | NM |
| Fair value adjustment on financial liability | 6 | 194 | - | NM | 587 | 14 | NM |
| | | 1,123 | 2,106 | | 2,941 | 5,567 | |
| Other items | | | | | | | |
| Depreciation of plant and equipment | 7 | 1,713 | 2,174 | (21.2) | 7,995 | 8,384 | (4.6) |
| Depreciation of right-of-use assets | 8 | 601 | - | NM | 2,388 | - | NM |
| Amortisation of intangible assets | | 199 | 130 | 53.1 | 728 | 600 | 21.3 |
| Interest expense | | 385 | 138 | 179.0 | 1,497 | 678 | 120.8 |

N.M. - Not meaningful

1. The income tax expense decreased as a result of overprovision of income tax expenses in prior periods.

2. The foreign currency translation gain for foreign operations in 4Q2019 was mainly due to the movement of Sterling Pound ("GBP") against Singapore Dollar ("S$"). The GBP strengthened 2.1% in 4Q2019, from S$1.732/GBP in December 2018 to S$1.769/GBP in December 2019. This was partially offset by the weakening of US Dollar ("USD") against S$. The USD weakened 1.3% in 4Q2019, from S$1.365/USD in December 2018 to S$1.347/USD in December 2019.

3. The foreign exchange gains in FY2019 mainly arose from the revaluation of USD, GBP and Euro ("EUR") denominated receivables. The GBP against EUR strengthened by 5.7%, from EUR1.109/GBP in December 2018 to EUR1.172/GBP in December 2019.

   The foreign exchange loss in 4Q2019 mainly arose from the weakening of USD against S$ of 2.5%, from S$1.381/USD in September 2019 to S$1.347/USD in December 2019.

4. The allowance for trade receivables was due to provision made for the increase in the average age of the receivables.

5. The allowance for stock obsolescence was mainly due to increase in aged inventories and the Group's policy to mark down multi-generational inventories to net realisable value.

6. The fair value adjustment on financial liability arose from the fair value assessment on the provision for the second tranche payment in relation to the acquisition of the 49% equity interest of Rockland Congruity LLC ("Rockland").

7. The decrease in depreciation of plant and equipment in 4Q2019 was mainly due to lower fixed asset addition during the period.

8. The depreciation of right-of-use assets of S$0.6 million was a result of adoption of SFRS(I) 16.

**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 | |
|---|---|---|---|---|
| | 31-Dec-19 $'000 | 31-Dec-18 $'000 | 31-Dec-19 $'000 | 31-Dec-18 $'000 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Plant and equipment | 13,005 | 22,054 | 11,808 | 20,584 |
| Right-of-use assets | 9,508 | - | 523 | - |
| Investment in subsidiaries | - | - | 44,387 | 44,345 |
| Intangible assets | 13,687 | 12,853 | 520 | 1,039 |
| Finance lease receivables | 864 | 1,304 | - | - |
| Deferred tax assets | 3,201 | 1,622 | 2,028 | 309 |
| **Total non-current assets** | **40,265** | **37,833** | **59,266** | **66,277** |
| **Current assets** | | | | |
| Inventories | 26,354 | 21,816 | - | - |
| Trade and other receivables | 51,214 | 53,365 | 17,247 | 11,641 |
| Prepayments | 13,375 | 8,333 | 20 | 16 |
| Finance lease receivables | 500 | 854 | - | - |
| Derivative financial asset [1] | - | 1,043 | - | - |
| Cash and bank balances | 17,132 | 18,082 | 5,847 | 9,655 |
| **Total current assets** | **108,575** | **103,493** | **23,114** | **21,312** |
| **Total assets** | **148,840** | **141,326** | **82,380** | **87,589** |
| **EQUITY AND LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 46,680 | 32,246 | 4,620 | 6,747 |
| Deferred income | 25,386 | 18,831 | - | - |
| Loans and borrowings | 11,302 | 9,993 | 2,694 | 3,802 |
| Lease liabilities | 2,411 | - | 214 | - |
| Income tax payable | 2,859 | 4,884 | 2,412 | 2,074 |
| | **88,638** | **65,954** | **9,940** | **12,623** |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 63 | 144 | - | - |
| Loans and borrowings | 5,463 | 4,094 | 1,347 | 4,094 |
| Lease liabilities | 7,826 | - | 313 | - |
| Provisions | 681 | 561 | 65 | 65 |
| Deferred income | 1,822 | 1,532 | - | - |
| **Total non-current liabilities** | **15,855** | **6,331** | **1,725** | **4,159** |
| **Total liabilities** | **104,493** | **72,285** | **11,665** | **16,782** |
| **Equity attributable to owners of the Company** | | | | |
| Share capital | 71,703 | 71,703 | 71,703 | 71,703 |
| Retained earnings | 21,942 | 18,167 | (1,184) | (972) |
| Other reserves | (49,298) | (20,829) | 196 | 76 |
| **Equity attributable to owners of the Company** | **44,347** | **69,041** | **70,715** | **70,807** |
| Non-controlling interests [2] | - | 0 | - | - |
| **Total equity** | **44,347** | **69,041** | **70,715** | **70,807** |
| **Total equity and liabilities** | **148,840** | **141,326** | **82,380** | **87,589** |

[1]: The derivative financial asset relates to the Rockland Call Option
[2]: Less than S$1,000

**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 31-Dec-19 | | | As at 31-Dec-18 | | |
|---|---|---|---|---|---|---|
| **Group** | **Secured** | **Unsecured** | **Total** | **Secured** | **Unsecured** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Amount repayable in one year or less, on demand | 8,460 | 2,842 | **11,302** | 4,892 | 5,101 | **9,993** |
| Amount repayable after one year | 4,116 | 1,347 | **5,463** | - | 4,094 | **4,094** |
| | **12,576** | **4,189** | **16,765** | **4,892** | **9,195** | **14,087** |
| Borrowings comprise: | | | | | | |
| Bank loans | 5,382 | 4,042 | **9,424** | - | 8,396 | **8,396** |
| Short term trade facilities | 7,194 | - | **7,194** | 4,621 | - | **4,621** |
| Finance lease obligations | - | 72 | **72** | 271 | 269 | **540** |
| Bank overdrafts | - | - | **-** | - | 469 | **469** |
| Others | - | 75 | **75** | - | 61 | **61** |
| | **12,576** | **4,189** | **16,765** | **4,892** | **9,195** | **14,087** |

**Details of collaterals**

The secured short-term trade facilities of S$7.2 million as at 31 December 2019 (31 December 2018: S$4.6 million) include line of credits and trade receivables factoring. The finance lease obligations of S$0.1 million as at 31 December 2019 are secured by charges over the fixed assets with a carrying amount of S$0.5 million as at 31 December 2019 (31 December 2018: S$0.7 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 | |
|---|---|---|---|---|
| | 4Q2019 $'000 | 4Q2018 $'000 | FY2019 $'000 | FY2018 $'000 |
| **Cash flows from operating activities** | | | | |
| Profit before tax | **(301)** | **2,204** | **4,737** | **10,077** |
| Adjustments for: | | | | |
| Depreciation of plant and equipment | 1,713 | 2,174 | 7,995 | 8,384 |
| Depreciation of right-of-use assets | 601 | - | 2,388 | - |
| Amortisation of intangible assets | 199 | 130 | 728 | 600 |
| Share based payment | 17 | 93 | 120 | 394 |
| Loss/(gain) on disposal of plant and equipment | - | 11 | (1) | 12 |
| Loss/(gain) on fair value of derivative financial liability | 194 | (35) | 587 | 14 |
| Interest income | (37) | (61) | (181) | (241) |
| Interest expense | 385 | 138 | 1,497 | 678 |
| Inventories written down | 637 | 1,015 | 1,999 | 2,965 |
| Allowance for trade receivables | 149 | 898 | 355 | 2,576 |
| Provisions | - | - | - | 108 |
| Exchange differences | 477 | (22) | 241 | 105 |
| **Operating cash flows before changes in working capital** | **4,034** | **6,545** | **20,465** | **25,672** |
| Increase in inventories | (417) | (406) | (3,485) | (3,146) |
| (Increase)/decrease in trade and other receivables | (4,830) | 906 | 505 | (7,292) |
| (Increase)/decrease in finance lease receivables | (172) | 425 | 793 | 1,313 |
| Decrease/(increase) in prepayment | 962 | 1,316 | (5,043) | (2,898) |
| (Decrease)/increase in deferred income | (1,251) | (1,752) | 6,845 | (985) |
| Increase/(decrease) in trade and other payables | 2,524 | (4,337) | 1,401 | 2,226 |
| **Net cash generated from operations** | **850** | **2,697** | **21,481** | **14,890** |
| Income taxes paid | (139) | (973) | (3,113) | (3,853) |
| **Net cash generated from operating activities** | **711** | **1,724** | **18,368** | **11,037** |
| **Cash flows from investing activities** | | | | |
| Purchase of plant and equipment | (1,423) | (1,439) | (2,873) | (3,494) |
| Proceeds from disposal of plant and equipment | - | 14 | 121 | 347 |
| Placement of fixed deposits pledged for bank facilities | - | 59 | - | (4) |
| Placement of fixed deposits | - | (22) | - | (4,094) |
| Proceeds from maturity of fixed deposits | 1,484 | - | 1,418 | - |
| Interest received | 37 | 61 | 181 | 241 |
| **Net cash generated from/(used in) investing activities** | **98** | **(1,327)** | **(1,153)** | **(7,004)** |
| **Cash flows from financing activities** | | | | |
| Proceeds from loans and borrowings | 36,975 | 27,134 | 163,661 | 111,784 |
| Repayments of loans and borrowings | (36,924) | (30,437) | (160,415) | (119,893) |
| Repayments of lease liabilities | (301) | - | (1,659) | - |
| Acquisition of non-controlling interest | - | - | (16,271) | - |
| Decrease in amounts due to related companies | - | (2) | - | - |
| Decrease in amounts due to holding company* | - | 73 | - | (274) |
| Interest paid | (385) | (138) | (1,497) | (678) |
| **Net cash used in financing activities** | **(635)** | **(3,370)** | **(16,181)** | **(9,061)** |
| Net (decrease)/increase in cash and cash equivalents | **174** | **(2,973)** | **1,034** | **(5,028)** |
| Effect of exchange rate changes on cash and cash equivalents | (153) | 58 | (83) | 28 |
| Cash and cash equivalents at beginning of the financial period | 11,602 | 13,588 | 10,672 | 15,673 |
| **Cash and cash equivalents at end of the financial period** | **11,623** | **10,673** | **11,623** | **10,673** |
| **Cash and cash equivalents comprise the following:** | | | | |
| Cash and bank balances | 17,132 | 18,082 | 17,132 | 18,082 |
| Less: Bank overdraft | - | (469) | - | (469) |
| Less: Pledged deposits | (1,467) | (1,481) | (1,467) | (1,481) |
| Less: Fixed deposits | (4,042) | (5,459) | (4,042) | (5,459) |
| Cash and cash equivalents | **11,623** | **10,673** | **11,623** | **10,673** |

* On 4 January 2019, 21 March 2019 and 2 May 2019, DeClout Pte. Ltd. ("DeClout") sold 48,000,000, 36,319,978 and 8,000,000 ordinary shares in the capital of the Company. DeClout continues to hold 14.05% of the Group and has ceased to be the holding company in the financial year ended 31 December 2019.

**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 the Company | Non-controlling interests* | Total Equity |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance as at 1 January 2019** | **71,703** | **18,167** | **(20,829)** | **69,041** | **0** | **69,041** |
| Total comprehensive income for the period | - | 3,775 | 267 | 4,042 | - | **4,042** |
| Share-based payment | - | - | 120 | 120 | - | **120** |
| Acquisition of non-controlling interests in a subsidiary | - | - | (28,856) | (28,856) | (0) | **(28,856)** |
| **Balance as at 31 December 2019** | **71,703** | **21,942** | **(49,298)** | **44,347** | **-** | **44,347** |
| **Balance as at 1 January 2018 (as previously stated)** | **70,938** | **15,973** | **(23,069)** | **63,842** | **0** | **63,842** |
| Effect of adoption of SFRS(I) | - | (3,063) | 3,063 | - | - | **-** |
| Effect of adoption of SFRS(I) 9 | - | (80) | - | (80) | - | **(80)** |
| **Balance as at 1 January 2018 (as restated)** | **70,938** | **12,830** | **(20,006)** | **63,762** | **0** | **63,762** |
| Total comprehensive income for the period | - | 5,337 | (452) | 4,885 | - | **4,885** |
| Issuance of new shares pursuant to performance shares plan | 765 | - | (765) | - | - | **-** |
| Share-based payment | - | - | 394 | 394 | - | **394** |
| **Balance as at 31 December 2018** | **71,703** | **18,167** | **(20,829)** | **69,041** | **0** | **69,041** |

| Company | Share Capital | Retained Earnings | Other Reserves | Total Equity |
|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 |
| **Balance as at 1 January 2019** | **71,703** | **(972)** | **76** | **70,807** |
| Total comprehensive income for the period | - | (212) | - | **(212)** |
| Share-based payment | - | - | 120 | **120** |
| **Balance as at 31 December 2019** | **71,703** | **(1,184)** | **196** | **70,715** |
| **Balance as at 1 January 2018** | **70,938** | **598** | **447** | **71,983** |
| Total comprehensive income for the period | - | (1,570) | - | **(1,570)** |
| Issuance of new shares pursuant to performance shares plan | 765 | - | (765) | **-** |
| Share-based payment | - | - | 394 | **394** |
| **Balance as at 31 December 2018** | **71,703** | **(972)** | **76** | **70,807** |

*: Less than S$1,000

**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 S$'000 |
|---|---|---|
| As at 1 January 2019 | 284,689 | 71,703 |
| As at 31 December 2019 | 284,689 | 71,703 |

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

Between 1 January 2019 and 31 December 2019, the Company did not issue any shares under the employee share option scheme.

As at 31 December 2019, there are no outstanding options under the employee share option scheme (31 December 2018: NIL).

**C) Performance share plan**

Between 1 January 2019 and 31 December 2019, the Company granted 395,000 shares under the performance share plan.

As at 31 December 2019, the number of outstanding awards granted under the performance share plan was 807,800 (31 December 2018: 3,732,400).

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.

**D) Treasury shares and subsidiary holdings**

No treasury shares and subsidiary holdings were held by the Company as at 31 December 2019 and 31 December 2018.

**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 31 December 2019 was 284,689,000 (31 December 2018: 284,689,000). 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.**

Except as disclosed in paragraph 5, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to those applied in the audited financial statements for the financial year ended 31 December 2018.

**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.**

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use ("ROU") asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the ROU asset.

The Group adopted SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of use asset at either:

I. its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
II. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments

In addition, the Group elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The adoption of SFRS(I) 16 resulted in an increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation ("EBITDA") and gearing ratio. The impact on the statement of comprehensive income and balance sheet is as follow:

| | $'000 |
|---|---|
| Group statement of comprehensive income | |
| Decrease in admin expenses – rental expenses | 2,394 |
| Increase in admin expenses – depreciation of right-of-use assets | 2,388 |
| Increase in finance expenses on lease liabilities | 608 |
| Increase in EBITDA | 2,394 |
| | |
| Group balance sheet | |
| Increase in non-current asset – right-of-use assets | 9,508 |
| Increase in current liabilities – lease liabilities | 2,411 |
| Increase in non-current liabilities – lease liabilities | 7,826 |

**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 | 4Q2019 | 4Q2018 | FY2019 | FY2018 |
|---|---|---|---|---|
| Basic earnings per share (cents) | 0.02 | 0.59 | 1.33 | 1.89 |
| Fully diluted earnings per share (cents) | 0.02 | 0.58 | 1.32 | 1.86 |

**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 | |
|---|---|---|---|---|
| | 31-Dec-19 | 31-Dec-18 | 31-Dec-19 | 31-Dec-18 |
| Net asset value per share (cents) | 15.58 | 24.25 | 24.84 | 24.87 |
| Number of shares in issue ('000) | 284,689 | 284,689 | 284,689 | 284,689 |

The net asset value per share decreases as a result of the acquisition of the 49% equity interest of Rockland Congruity LLC.

**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 – 4Q2019 vs 4Q2018

| | 4Q2019 | 4Q2018 | Change % |
|---|---|---|---|
| **Revenue ($'000)** | | | |
| IT Distribution | 38,391 | 34,991 | 9.7 |
| Lifecycle Services | 18,318 | 17,082 | 7.2 |
| **Total** | **56,709** | **52,073** | 8.9 |
| **Gross Profit ($'000)** | | | |
| IT Distribution | 8,434 | 10,815 | (22.0) |
| Lifecycle Services | 10,467 | 9,421 | 11.1 |
| **Total** | **18,901** | **20,236** | (6.6) |
| **Gross Profit Margin (%)** | | | |
| IT Distribution | 22.0 | 30.9 | (8.9) |
| Lifecycle Services | 57.1 | 55.2 | 2.0 |
| **Total** | **33.3** | **38.9** | (5.6) |

The Group's revenue increased by 8.9% from S$52.1 million in 4Q2018 to S$56.7 million in 4Q2019. The IT Distribution business segment's revenue increased by 9.7% from S$35.0 million in 4Q2018 to S$38.4 million in 4Q2019 as a result of higher revenue across the Group. The revenue from the Lifecycle Services business segment increased by 7.2% from S$17.1 million in 4Q2018 to S$18.3 million in 4Q2019, mainly attributable to the better performance from the Europe (including the United Kingdom), the Middle East and Africa ("EMEA") and the Asia Pacific.

The Group's overall gross profit decreased 6.6% from S$20.2 million in 4Q2018 to S$18.9 million in 4Q2019 as a result of lower gross profit from the IT Distribution business segment. The Group's overall gross profit margin decreased by 5.6 percentage points from 38.9% in 4Q2018 to 33.3% in 4Q2019. The gross profit margin in the IT Distribution business segment decreased from 30.9% in 4Q2018 to 22.0% in 4Q2019 as a result of a few low-margin hardware deals in order to move aged inventories and increased investment to grow the ITAD business in the Americas. The gross profit margin in Lifecycle Services business segment increased from 55.2% in 4Q2018 to 57.1% in 4Q2019.

Selling expenses increased by S$0.4 million, from S$4.0 million in 4Q2018 to S$4.5 million in 4Q2019. The higher pay-out of sales commission, in line with the increase in commission rate from tiered commission plan which resulted in the increased selling expenses.

Administrative expenses increased by S$1.2 million, from S$12.3 million in 4Q2018 to S$13.6 million in 4Q2019, mainly due to increase in staff cost, the depreciation of right-of-use assets and the maiden expenses from the incorporation of Procurri Germany. Staff costs increased 11.6% or S$1.0 million year-on-year as a result of higher staff cost in the North and South Americas (the "Americas") and EMEA. The depreciation of right-of-use asset increased as a result of a higher renewed office rent in Singapore and a new office in the Americas.

Finance cost increased by S$0.2 million as a result of the higher borrowings and the increase in interest expense for lease liabilities resulting from the adoption of SFRS(I) 16 where the Group recognised operating lease as a liability and separately recognised the interest expense on the lease liability.

Other charges decreased by S$1.0 million, from S$2.1 million in 4Q2018 to S$1.1 million in 4Q2019, mainly due to lower allowance for trade receivables and stock obsolescence.

As a result of the above, the Group recorded a pre-tax loss of S$0.3 million in 4Q2019 as compared to a pre-tax profit of S$2.2 million in 4Q2018.

The Group had an income tax credit of S$0.4 million in 4Q2019 compared to an income tax expense of S$0.5 million in 4Q2018, mainly due to overprovision of income tax expense in prior periods. The Group recorded a profit after tax of S$68,000 in 4Q2019 as compared to S$1.7 million in 4Q2018.

Review of performance – FY2019 vs FY2018

| | FY2019 | FY2018 | Change % |
|---|---|---|---|
| **Revenue ($'000)** | | | |
| IT Distribution | 149,764 | 154,802 | (3.3) |
| Lifecycle Services | 71,525 | 65,434 | 9.3 |
| **Total** | **221,289** | **220,236** | 0.5 |
| | | | |
| **Gross Profit** | | | |
| IT Distribution | 39,423 | 42,772 | (7.8) |
| Lifecycle Services | 40,680 | 37,731 | 7.8 |
| **Total** | **80,103** | **80,503** | (0.5) |
| | | | |
| **Gross Profit Margin (%)** | | | |
| IT Distribution | 26.3 | 27.6 | (1.3) |
| Lifecycle Services | 56.9 | 57.7 | (0.8) |
| **Total** | **36.2** | **36.6** | (0.4) |

The Group's revenue increased by 0.5% from S$220.2 million in FY2018 to S$221.3 million in FY2019. The IT Distribution business segment's revenue decreased by 3.3% from S$154.8 million in FY2018 to S$149.8 million in FY2019, as a result of lower contribution from the Asia Pacific. The revenue from the Lifecycle Services business segment increased by 9.3% from S$65.4 million in FY2018 to S$71.5 million in FY2019, attributable to the better performance from all regions.

The Group's overall gross profit decreased 0.5% from S$80.5 million in FY2018 to S$80.1 million in FY2019. The Group's overall gross profit margin decreased by 0.4 percentage points from 36.6% in FY2018 to 36.2% in FY2019. The gross profit margin in the IT Distribution business segment decreased from 27.6% in FY2018 to 26.3% in FY2019, mainly due to several low-margin hardware deals in 4Q2019 in order to move aged inventories and investment to scale up the IT Asset Disposition ("ITAD") business. The gross profit margin in the Lifecycle Services business segment decreased from 57.7% in FY2018 to 56.9% in FY2019. The margin is still in line with the Group's expectation for Lifecycle Services business.

Selling expenses increased by S$1.8 million, from S$16.2 million in FY2018 to S$18.0 million in FY2019, as a result of higher pay-out in the Americas and EMEA.

Administrative expenses increased by S$4.5 million, from S$50.0 million in FY2018 to S$54.4 million in FY2019, mainly due to increase in staff cost, the increased depreciation of right-of-use assets, the reclassification of indirect tax expenses from income tax expenses to administrative expenses amounting to S$0.5 million and the maiden expenses from the incorporation of Procurri Germany. Staff costs increased 7.7% or S$2.7 million year-on-year as a result of higher staff cost in the Americas and the EMEA.

Finance cost increased by S$0.8 million as a result of higher borrowings and the increase in interest expense for lease liabilities resulting from the adoption of SFRS(I) 16 where, the Group recognised operating lease as a liability and separately recognised the interest expense on the lease liability. The depreciation of right-of-use asset increased as a result of a higher renewed office rent in Singapore and a new office in the Americas.

Other charges decreased by S$2.6 million, from S$5.6 million in FY2018 to S$2.9 million in FY2019. The other charges recorded in FY2019 mainly arose from the provision for stock obsolescence of S$2.0 million, the allowance for bad debt of S$0.4 million and the fair value adjustment on financial liability of S$0.6 million. Inventory are carried by IT Distribution business segment and the procurement is sometimes opportunistic and trading in nature, the provision for stock obsolescence as a percentage of IT Distribution revenue is within the Group's acceptable range.

As a result of the above, the Group recorded a pre-tax profit of S$4.7 million in FY2019 compared to S$10.1 million in FY2018.

The Group recorded an income tax expense of S$1.0 million in FY2019 compared to S$4.7 million in FY2018, mainly due to an over provision of income tax expense in FY2018. Profit after tax stood at S$3.8 million in FY2019.

Review of financial position

**Non-current assets**

a) Plant and equipment decreased by S$9.0 million from S$22.1 million as at 31 December 2018 to S$13.0 million as at 31 December 2019. The decrease was mainly due to the reclassification of maintenance parts in Singapore and Malaysia from fixed assets to inventories. The reclassification of maintenance parts from fixed assets to inventories is due to the business decision to hold the maintenance parts for both trading opportunities and maintenance delivery. This was partially offset by the depreciation charges of S$8.0 million.

   At the Company level, the plant and equipment decreased by S$8.8 million from S$20.6 million as at 31 December 2018 to S$11.8 million as at 31 December 2019. The decrease was mainly due to the reclassification of maintenance parts in Singapore and Malaysia from fixed assets to inventories. This was partially offset by the depreciation charges of S$6.6 million.

b) The right-of-use assets as at 31 December 2019 relates to leases of the office premises and warehousing facilities in various locations as a result of the adoption of SFRS(I) 16 Leases as mentioned in section 5 of this announcement.

c) Intangible assets increased by S$0.8 million, mainly due to the addition of an intellectual property when the Group acquire the remaining 49% interest of Rockland Congruity LLC. This was partially offset by the amortisation charge of S$0.7 million.

d) Finance lease receivables (both current and non-current) decreased by S$0.8 million to S$1.4 million as at 31 December 2019. The repayments were partially offset by the new leases secured during the period.

**Current assets**

e) Inventories increased from S$21.8 million as at 31 December 2018 to S$26.4 million as at 31 December 2019, mainly due to the reclassification of maintenance parts in Singapore and Malaysia which was previously classified as fixed asset.

f) Trade and other receivables decreased by S$2.2 million to S$51.2 million as at 31 December 2019. The decrease was mainly due to the set-off of approximately US$7.3 million receivables due from Congruity LLC and its affiliates against the first tranche payment of US$12 million for the Group's acquisition of 49% equity interests of Rockland.

g) Prepayments increased by S$5.0 million mainly due to higher advance payments made to suppliers.

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

**Liabilities**

i) Trade and other payables increased by S$14.4 million to S$46.7 million as at 31 December 2019 mainly due to the provision for the second tranche payment in relation to the acquisition of the 49% equity interest of Rockland.

j) Deferred income (both current and non-current) principally comprised of deferred maintenance revenue from signed maintenance contracts. Deferred income records an increase of S$6.8 million from S$20.4 million as at 31 December 2018 to S$27.2 million as at 31 December 2019 as new maintenance contracts were added.

k) The increase in loans and borrowings (both current and non-current) of S$2.7 million was mainly due to a new term loan taken up to acquire the 49% equity interest of Rockland. This increase was partially offset by the repayment of existing term loans, short-term trade facilities and finance leases.

l) The increase in lease liabilities (both current and non-current) of S$10.2 million relates to leases of the office premises and warehousing facilities in various locations as a result of the adoption of SFRS(I) 16 Leases as mentioned in section 5 of this announcement.

**Net working capital position**

The Group recorded a lower positive working capital of S$19.9 million as at 31 December 2019 compared to S$37.5 million as at 31 December 2018 mainly due to the acquisition of the 49% equity interest of Rockland, the adoption of SFRS(I) 16 and the accrual for second payment for the acquisition of the 49% equity interest of Rockland of S$12.9 million. With the adoption of SFRS(I) 16 Leases, there was a corresponding increase in current lease liabilities of approximately S$2.4 million. Excluding the impact on the adoption of SFRS(I)16, the working capital would have been S$22.3 million.

Review of cash flows

Net cash generated from operating activities in FY2019 amounted to S$18.4 million as compared to S$11.0 million in FY2018. The increase was mainly due to the increase in deferred income of S$6.8 million, increase in trade and other payable of S$1.4 million, the decrease in finance lease receivables of S$0.8 million and the decrease in trade and other receivables of S$0.5 million. This was partially offset by the increase in inventory and prepayment of S$3.5 million and S$5.0 million.

Net cash used in investing activities amounted to S$1.1 million in FY2019 as compared to S$7.0 million in FY2018. This was mainly attributable to the purchase of plant and equipment of S$2.9 million, partially offset by the proceeds from maturity of fixed deposit of S$1.4 million and the interest received of S$0.2 million.

Net cash used in financing activities in FY2019 amounted to S$16.2 million as compared to S$9.1 million in FY2018. The cash used in financing activities was primarily deployed on the acquisition of non-controlling interest of S$16.3 million, repayment of borrowings of S$160.4 million, lease liabilities of S$1.7 million and the interest paid of S$1.5 million, partially offset by the proceeds from borrowings of S$163.7 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 Group notes the recent announcements regarding the potential sale of its Third Party Maintenance (TPM) business to Park Place Technologies ("Park Place"). The Group entered into sale discussions because the unsolicited bid from Park Place represented a highly accretive price to Procurri shareholders for the TPM business. The sale discussions were eventually terminated due to the Company and Park Place being unable to agree on the final price and structure of the Proposed Acquisition. Despite the termination of sale discussions for the present moment, the Group notes that the unsolicited interest from a well-informed industry participant does underscore the attractiveness of Procurri's business in the global market.

For the 2020 fiscal year, the Group remains vigilant to managing short-term risks with agility while preserving long-term opportunity and growth:

In the short term, the Group is monitoring the possibility of IT supply chain disruptions caused by effects from the COVID-19 virus emergencies around the world, particularly in Asia. Procurri has already begun strategic initiatives to drive a more effective cost structure in its global operations, through stronger use of automation, economies of scale, and operational consolidation. The Group believes these initiatives will help drive better financial resilience and flexibility if the macro-economy or the IT supply chain softens in 2020.

In the long run, the Group continues expanding its capabilities and customer accounts by investing prudently in growing its engineering capabilities, IT systems, and global services, including a focus on growing IT Asset Disposition (ITAD) and Third Party Maintenance (TPM) capabilities. In December 2019, the Group entered into a strategic relationship with Ingram Micro to bring a complete global ITAD solution. Procurri has been historically successful at growing customer relationships around the world through its distinctive partner network, and in 2020 the Group expects to deepen its growth potential by providing more services to existing customers as well as growing new relationships.

Underlying the Group's prospects for 2020 and beyond is the continued strength of Procurri's core market. Gartner projects the global data centre systems market to expand from $205 billion in 2019 to $212 billion in 2021[1], with the greatest growth coming from the public cloud market. Within the data centre market, the resale, maintenance and disposition of equipment represents a significant and growing opportunity. Further, the coming proliferation of edge computing and 5G deployments will continue driving growth of this market.

With the proliferation of cloud computing and edge computing, the data centre sector is expected to grow. 5G deployments within the next two years will further boost this uptrend[2]. The Group believes that Procurri continues to deliver an attractive set of solutions and services to this large global market. The Group's broad service line of TPM, ITAD, and equipment resale businesses provide its customers with a breadth of solutions that can cover operations across the world and across the data centre lifecycle from purchase through operations, disposals and upgrades.

[1] https://www.gartner.com/en/newsroom/press-releases/2019-10-23-gartner-says-global-it-spending-to-grow-3point7-percent-in-2020
[2] Credit Suisse Research: 2020 Outlook The Cloud has Four Walls

**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?**

None.

**(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 and the reason(s) for the decision.**

No dividend has been declared or recommended for current financial period reported on in view of the funding needs of the Group for future business development and expansion.

**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 S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 1 January 2019 to 31 December 2019 S$'000 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 1 January 2019 to 31 December 2019 S$'000 |
|---|---|---|
| Thomas Sean Murphy [1] | 750[1] | - |
| Edward John Flachbarth [2] | 600[2] | |

(1) Thomas Sean Murphy ("TSM") is our Executive Director and Global Chief Executive Officer ("GCEO"). On 28 June 2019, TSM entered into a new 3-year service agreement (the "TSM Service Agreement") to replace his former service agreement, in respect of his appointments as Executive Director and GCEO. Pursuant to the TSM Service Agreement, in the event of TSM's loss of office under certain specific circumstances as set out in the TSM Service Agreement, the Company shall pay (the "TSM Payment") to TSM an amount capped at S$750,000. The TSM Payment has not been paid to TSM as it is only payable in the event of his loss of office under certain specific circumstances and no provision has been recorded as at the date hereof.

(2) Edward John Flachbarth ("EJF") is our Executive Director and Global President ("GP"). On 28 June 2019, EJF entered into a new 3-year service agreement (the "EJF Service Agreement") to replace his former service agreement, in respect of his appointments as Executive Director and GP. Pursuant to the EJF Service Agreement, in the event of EJF's loss of office under certain specific circumstances as set out in the EJF Service Agreement, the Company shall pay ("EJF Payment") to EJF an amount capped at S$600,000. The EJF Payment has not been paid to EJF as it is only payable in the event of his loss of office under certain specific circumstances and no provision has been recorded as at the date hereof.

No IPT mandate has been obtained in the Annual General Meeting on 29 April 2019.

**14 Use of IPO proceeds**

The Company received net proceeds (after deducting IPO expenses of approximately S$3.8 million) from the IPO of approximately S$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 S$ million | Net Proceeds utilised as at the date of this announcement S$ million | Balance of Net Proceeds as at the date of this announcement S$ million |
|---|---|---|---|
| Merger and acquisitions, joint ventures and partnerships | 20.1 | 17.8 | 2.3 |
| Enhancement of infrastructure | 1.9 | 1.9 | - |
| Repayment of the DeClout loans | 6.1 | 6.1 | - |

| | | | |
|---|---|---|---|
| Working capital purposes | 6.7 | 6.7 | - |
| | 34.8 | 32.5 | 2.3 |

## 15 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.

## PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

## 16 Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

### (a) Business segments

Management monitors the operating results of its segments separately for the purpose of making decisions 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 and are not monitored by segments. Please refer to paragraph 8 of this announcement for the review of the results of the IT Distribution and Lifecycle Services segments.

### (b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | FY2019 | FY2018 | Increase / (decrease) | |
|---|---|---|---|---|
| | $'000 | $'000 | % | |
| **Geographical information by revenue** | | | | |
| Singapore | 23,036 | 31,574 | (27.0) | -27% |
| EMEA | 71,009 | 63,129 | 12.5 | 12% |
| Americas | 123,276 | 120,992 | 1.9 | 2% |
| Others | 3,968 | 4,541 | (12.6) | -13% |
| | 221,289 | 220,236 | 0.5 | 0% |
| **Geographical information by non current assets** | | | | |
| Singapore | 10,850 | 20,995 | (48.3) | -48% |
| EMEA | 10,846 | 10,239 | 5.9 | 6% |
| Americas | 2,318 | 934 | 148.2 | 148% |
| Others | 2,678 | 2,739 | (2.2) | -2% |
| | 26,692 | 34,907 | (23.5) | -24% |

Non-current assets information presented above consist of plant and equipment and intangible assets as presented in the consolidated balance sheet.

Revenue in the EMEA and America increased 12.5% and 1.9% respectively, from the contribution from both IT Distribution and Lifecycle Services business segments.

Non-current assets in Singapore declined 48.3% mainly due to the reclassification of maintenance parts to inventories. Non-current assets in the Americas increased 148.2% as a result of the addition in an intellectual property when the Group acquire the remaining 49% interest of Rockland Congruity LLC and the addition in plant and equipment for the new office in Atlanta.

**17 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating or geographical segments.**

Please refer to paragraph 8 and 16 of this announcement.

**18 A breakdown of sales.**

| | FY2019 | FY2018 | Increase / (decrease) |
|---|---|---|---|
| | $'000 | $'000 | % |
| (a) Sales reported for the first half year | 108,777 | 112,780 | -4% |
| (b) Profit after tax for the first half year | 2,618 | 2,245 | 17% |
| (c) Sales reported for the second half year | 112,512 | 107,456 | 5% |
| (d) Profit after tax for the second half year | 1,157 | 3,092 | -63% |

**19 A breakdown of total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

| | FY2019 | FY2018 |
|---|---|---|
| | $'000 | $'000 |
| Dividend | | |
| - Final | - | - |
| Total | - | - |

**20 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

The Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a director, chief executive officer or substantial shareholder of the Company.

**BY ORDER OF THE BOARD**
Thomas Sean Murphy
Chairman and Global Chief Executive Officer
26 February 2020