

PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 31 March 2019 ("1Q2019")

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	1Q2019 \$'000	1Q2018 \$'000	Change %
Revenue		53,817	49,492	8.7
Cost of sales		(33,747)	(31,568)	6.9
Gross profit		20,070	17,924	12.0
Other items of income				
Other income		273	332	(17.8)
Other items of expense				
Selling expenses		(4,498)	(3,173)	41.8
Administrative expenses		(12,406)	(12,124)	2.3
Finance costs		(283)	(196)	44.4
Other charges		(622)	(784)	(20.7)
Profit before tax		2,534	1,979	28.0
Income tax expense	1	(781)	(977)	(20.1)
Profit, net of tax		1,753	1,002	75.0
Profit attributable to:				
Owners of the Company		1,753	1,002	75.0
Profit for the period		1,753	1,002	75.0
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation	2	304	313	(2.9)
Other comprehensive income for the period		304	313	(2.9)
Total comprehensive income for the period		2,057	1,315	56.4
Profit for the period attributable to:				
Owners of the Company		1,753	1,002	75.0
Comprehensive income attributable to:				
Owners of the Company		2,057	1,315	56.4

Statement of comprehensive income

	Note	1Q2019 \$'000	1Q2018 \$'000	Change %
<u>Other income</u>				
Interest income		50	47	6.4
Others		223	285	(21.8)
		<u>273</u>	<u>332</u>	
<u>Other charges</u>				
Allowance for trade receivables	3	41	11	NM
Allowance for stock obsolescence	4	578	629	(8.1)
Foreign exchange loss	5	3	144	(97.9)
		<u>622</u>	<u>784</u>	
<u>Other items</u>				
Depreciation of plant and equipment	6	2,073	2,139	(3.1)
Depreciation of Right-of-use assets	7	530	-	NM
Amortisation of intangible assets		130	189	(31.2)
Interest expense		283	196	44.4

N.M. - Not meaningful

- The decrease in income tax expenses was mainly due to an overprovision of income tax in 1Q2018.
- The foreign currency translation gain for foreign operations in 1Q2019 was mainly due to the movement of Sterling Pound ("GBP") against Singapore Dollar ("S\$"). The GBP strengthened 2.3% in 1Q2019 from S\$1.73/GBP in December 2018 to S\$1.77/GBP in March 2019. This was partially offset by the weakening of US Dollar ("USD") against S\$. The USD weakened 0.7% in 1Q2019, from S\$1.365/USD in December 2018 to S\$1.356/USD in March 2019.
- The allowance for trade receivables was due to provision made for the increase in the average age of the receivables.
- 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.
- The foreign exchange loss mainly arose from the revaluation of USD and GBP denominated receivables. The USD weakened from S\$1.365/USD in December 2018 to S\$1.356/USD in March 2019, partially offset by the strengthening of GBP from S\$1.73/GBP in December 2018 to S\$1.77/GBP in March 2019.
- The decrease in depreciation of plant and equipment in 1Q2019 was mainly due to lower fixed asset addition during the period.
- The depreciation of right-of-use assets of S\$0.5 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-Mar-19 \$'000	31-Dec-18 \$'000	31-Mar-19 \$'000	31-Dec-18 \$'000
ASSETS				
<u>Non-current assets</u>				
Plant and equipment	20,493	22,054	19,228	20,584
Right-of-use assets	6,920	-	542	-
Investment in subsidiaries	-	-	44,356	44,345
Intangible assets	14,329	12,854	909	1,039
Finance lease receivables	1,099	1,304	-	-
Deferred tax assets	1,463	1,621	309	309
Total non-current assets	44,304	37,833	65,344	66,277
<u>Current assets</u>				
Inventories	22,634	21,816	-	-
Trade and other receivables	47,153	53,365	14,663	11,641
Prepayments	10,981	8,333	24	16
Finance lease receivables	691	854	-	-
Derivative financial asset ⁽¹⁾	-	1,043	-	-
Cash and bank balances	18,684	18,082	7,216	9,655
Total current assets	100,143	103,493	21,903	21,312
Total assets	144,447	141,326	87,247	87,589
EQUITY AND LIABILITIES				
<u>Current liabilities</u>				
Trade and other payables	43,212	32,246	6,864	6,747
Deferred income	25,772	18,831	-	-
Loans and borrowings	12,025	9,993	3,381	3,802
Lease liabilities	2,771	-	487	-
Income tax payable	3,114	4,884	2,194	2,074
	86,894	65,954	12,926	12,623
<u>Non-current liabilities</u>				
Deferred tax liabilities	144	144	-	-
Loans and borrowings	8,491	4,094	3,390	4,094
Lease liabilities	4,198	-	52	-
Provisions	569	561	65	65
Deferred income	1,897	1,532	-	-
Total non-current liabilities	15,299	6,331	3,507	4,159
Total liabilities	102,193	72,285	16,433	16,782
<u>Equity attributable to owners of the Company</u>				
Share capital	71,703	71,703	71,703	71,703
Retained earnings	19,920	18,167	(977)	(972)
Other reserves	(49,369)	(20,829)	88	76
Equity attributable to owners of the Company	42,254	69,041	70,814	70,807
Non-controlling interests ⁽²⁾	-	0	-	-
Total equity	42,254	69,041	70,814	70,807
Total equity and liabilities	144,447	141,326	87,247	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.

Group	As at 31-Mar-19			As at 31-Dec-18		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or on demand	7,840	4,185	12,025	4,892	5,101	9,993
Amount repayable after one year	5,101	3,390	8,491	-	4,094	4,094
	12,941	7,575	20,516	4,892	9,195	14,087
Borrowings comprise:						
Bank term loans	6,372	6,770	13,142	-	8,396	8,396
Short term trade facilities	6,457	-	6,457	4,621	-	4,621
Finance lease obligations	112	214	326	271	269	540
Bank overdrafts	-	526	526	-	469	469
Others	-	65	65	-	61	61
	12,941	7,575	20,516	4,892	9,195	14,087

Details of collaterals

The secured short-term trade facilities of S\$6.5 million as at 31 March 2019 (31 December 2018: S\$4.6 million) include trust receipts and trade receivables factoring. The finance lease obligations of S\$0.3 million as at 31 December 2018 are secured by charges over the fixed assets with a carrying amount of S\$0.7 million as at 31 March 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	
	1Q2019	1Q2018
	\$'000	\$'000
<u>Cash flows from operating activities</u>		
Profit before tax	2,534	1,979
Adjustments for:		
Depreciation of plant and equipment	2,073	2,139
Depreciation of right-of-use assets	530	-
Amortisation of intangible assets	130	189
Share based payment	12	104
Interest income	(50)	(47)
Interest expense	283	196
Inventories written down	578	629
(Reversal of)/ allowance for trade receivables	41	11
Exchange differences	(120)	(118)
Operating cash flows before changes in working capital	6,011	5,082
(Increase)/decrease in inventories	(2,223)	1,755
Decrease/(increase) in trade and other receivables	3,953	(2,973)
Decrease in finance lease receivables	368	7
Increase in prepayment	(2,648)	(4,125)
Increase in deferred income	7,306	4,587
Increase/(decrease) in trade and other payables	11,656	(4,017)
Net cash generated from operations	24,423	316
Income taxes paid	(148)	(99)
Net cash generated from operating activities	24,275	217
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(337)	(734)
Proceeds from disposal of plant and equipment	83	81
Placement of fixed deposits pledged for bank facilities	8	-
Proceeds from maturity of fixed deposits	5,459	-
Interest received	50	47
Net cash generated from/(used in) investing activities	5,263	(606)
<u>Cash flows from financing activities</u>		
Proceeds from loans and borrowings	36,138	25,649
Repayments of loans and borrowings	(29,715)	(28,702)
Repayments of lease liabilities	(481)	-
Acquisition of non-controlling interest	(29,187)	-
Decrease in amounts due to holding company*	-	(434)
Interest paid	(283)	(196)
Net cash used in financing activities	(23,528)	(3,683)
Net increase/(decrease) in cash and cash equivalents	6,010	(4,072)
Effect of exchange rate changes on cash and cash equivalents	3	6
Cash and cash equivalents at beginning of the financial period	10,672	15,672
Cash and cash equivalents at end of the financial period	16,685	11,606
Cash and cash equivalents comprise the following:		
Cash and bank balances	18,684	14,376
Less: Bank overdraft	(526)	(31)
Less: Pledged deposits	(1,473)	(1,312)
Less: Fixed deposits	-	(1,427)
Cash and cash equivalents	16,685	11,606

* On 4 January 2019 and 21 March 2019, DeClout Limited sold 48,000,000 and 36,319,978 ordinary shares in the capital of the Company. DeClout continues to hold 16.86% 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	-	1,753	304	2,057	-	2,057
Share-based payment	-	-	12	12	-	12
Acquisition of non-controlling interests in a subsidiary	-	-	(28,856)	(28,856)	0	(28,856)
Balance as at 31 March 2019	71,703	19,920	(49,369)	42,254	-	42,254
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	-	1,002	313	1,315	-	1,315
Issuance of new shares pursuant to performance shares plan	149	-	(149)	-	-	-
Share-based payment	-	-	104	104	-	104
Balance as at 31 March 2018	71,087	13,832	(19,738)	65,181	0	65,181

Company	Share Capital	Retained Earnings	Other Reserves	Non-controlling interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 January 2019	71,703	(972)	76	-	70,807
Total comprehensive income for the period	-	(5)	-	-	(5)
Share-based payment	-	-	12	-	12
Balance as at 31 March 2019	71,703	(977)	88	-	70,814
Balance as at 1 January 2018	70,938	598	447	-	71,983
Total comprehensive income for the period	-	(968)	-	-	(968)
Issuance of new shares pursuant to performance shares plan	149	-	(149)	-	-
Share-based payment	-	-	104	-	104
Balance as at 31 March 2018	71,087	(370)	402	-	71,119

*: 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 March 2019	284,689	71,703

B) Share options – employee share option scheme

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

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

C) Performance share plan

Between 1 January 2019 and 31 March 2019, the Company did not grant any award under the performance share plan.

As at 31 March 2019, the number of outstanding awards granted under the performance share plan was 412,800 (31 March 2018: 4,076,400).

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 March 2019 and 31 March 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 March 2019 was 284,689,000 (31 March 2018: 282,569,100). 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 on 1 January 2019, using the modified retrospective approach, without restating prior years' information.

In compliance with SFRS(I) 16, the Group and the Company have applied the practical expedient to recognise the amount of ROU assets equal to the lease liabilities as at 1 January 2019. Subsequent to initial recognition, the Group and the Company depreciate the ROU assets over the shorter of the useful life of the ROU assets and the lease term and recognise interest expenses on the lease liabilities.

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:

	1Q2019
	\$'000
<u>Group statement of comprehensive income</u>	
(Decrease) in administrative expenses – rental expenses	(599)
Increase in administrative expenses – depreciation of right-of-use assets	530
Increase in finance expenses on lease liabilities	118
Increase in EBITDA	599
<u>Group balance sheet</u>	
Increase in non-current asset – right-of-use assets	6,920
Increase in current liabilities – lease liabilities	2,771
Increase in non-current liabilities – lease liabilities	4,198

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	1Q2019	1Q2018
Basic earnings per share (cents)	0.62	0.35
Fully diluted earnings per share (cents)	0.61	0.35

- 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-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
Net asset value per share (cents)	14.84	24.25	24.87	24.87
Number of shares in issue ('000)	284,689	284,689	284,689	284,689

Net asset value per share decreased 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 – 1Q2019 vs 1Q2018

	1Q2019	1Q2018	Change %
Revenue (\$'000)			
IT Distribution	35,749	34,023	5.1
Lifecycle Services	18,068	15,469	16.8
Total	53,817	49,492	8.7
Gross Profit			
IT Distribution	9,854	8,401	17.3
Lifecycle Services	10,216	9,523	7.3
Total	20,070	17,924	12.0
Gross Profit Margin (%)			
IT Distribution	27.6	24.7	2.9
Lifecycle Services	56.5	61.6	(5.0)
Total	37.3	36.2	1.1

The Group continued to consolidate 100% of the financial results of its 51%-owned subsidiary, Rockland Congruity LLC ("Rockland"), as a result of the extension of distribution waiver in respect of Rockland as per announcement dated 1 April 2019.

The Group's revenue increased by 8.7% from S\$49.5 million in 1Q2018 to S\$53.8 million in 1Q2019. The IT Distribution business segment's revenue increased by 5.1% from S\$34.0 million in 1Q2018 to S\$35.7 million in 1Q2019, as a result of higher contribution from the North and South America (the "Americas"). The revenue from the Lifecycle Services business segment increased by 16.8% from S\$15.5 million in 1Q2018 to S\$18.1 million in 1Q2019, mainly attributable to the better performance from the Americas and the Europe (including the UK), Middle East and Africa ("EMEA").

The Group's overall gross profit increased 12.0% from S\$17.9 million in 1Q2018 to S\$20.1 million in 1Q2019, in line with higher revenue and higher margin. The Group's overall gross profit margin increased by 1.1 percentage points from 36.2% in 1Q2018 to 37.3% in 1Q2019. The gross profit margin in the IT Distribution business segment increased from 24.7% in 1Q2018 to 27.6% in 1Q2019 as a result of a few higher margin deals that were booked during the period. The gross profit margin in the Lifecycle Services business segment decreased from 61.6% in 1Q2018 to 56.5% in 1Q2019. The margin is still in line with the Group's expectation for Lifecycle Services business.

Selling expenses increased by S\$1.3 million, from S\$3.2 million in 1Q2018 to S\$4.5 million in 1Q2019. The growth in gross profit resulted in a higher pay-out of sales commission.

Administrative expenses increased by S\$0.3 million, from S\$12.1 million in 1Q2018 to S\$12.4 million in 1Q2019, mainly due to increase in staff cost. Staff costs increased 5.8% or S\$0.5 million year-on-year as a result of higher staff cost in the Americas.

Finance cost increased by S\$0.1 million as a result of 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\$0.2 million, from S\$0.8 million in 1Q2018 to S\$0.6 million in 1Q2019. The other charges recorded in 1Q2019 mainly arose from the provision for stock obsolescence. 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\$2.5 million in 1Q2019 compared to S\$2.0 million in 1Q2018.

The Group recorded an income tax expense of S\$0.8 million in 1Q2019 compared to S\$1.0 million, mainly due to an over provision of income tax expense in 1Q2018. Profit after tax rose to S\$1.8 million in 1Q2019 from S\$1.0 million in 1Q2018.

Review of financial position

Non-current assets

- a) Plant and equipment decreased by S\$1.6 million from S\$22.1 million as at 31 December 2018 to S\$20.5 million as at 31 March 2019. The decrease was mainly due to the depreciation charges of S\$2.1 million, partially offset by the addition of maintenance parts equipment acquired to support the Group's third-party maintenance business.

At the Company level, the plant and equipment decreased by S\$1.4 million from S\$20.6 million as at 31 December 2018 to S\$19.2 million as at 31 March 2019. The decrease was mainly due to the depreciation charges of S\$1.7 million, partially offset by the purchase of maintenance parts to support the Group's third-party maintenance business.

- b) The right-of-use assets as at 31 March 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\$1.5 million, mainly due to the addition in an intellectual property when the Group acquire the remaining 49% interest of Rockland and the translation gain of S\$0.2 million on the balance of intangible assets as at 31 March 2019. This was partially offset by the amortisation charge of S\$0.1 million. The intangible assets were primarily denominated in foreign currencies.
- d) Finance lease receivables (both current and non-current) decreased by S\$0.4 million to S\$1.8 million as at 31 March 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\$22.6 million as at 31 March 2019.
- f) Trade and other receivables decreased by S\$6.2 million to S\$47.2 million as at 31 March 2018. 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. (Raymond: The decrease is significant enough to warrant an explanation)
- g) Prepayments increased by S\$2.6 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\$11.0 million to S\$43.2 million as at 31 March 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\$7.3 million from S\$20.4 million as at 31 December 2018 to S\$27.7 million as at 31 March 2019 as new maintenance contracts are added.
- k) The increase in loans and borrowings (both current and non-current) of S\$6.4 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\$7.0 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\$13.2 million as at 31 March 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\$2.8 million. Excluding the impact on the adoption of SFRS(I)16, the working capital would have been S\$16.0 million.

Review of cash flows

Net cash generated from operating activities in 1Q2019 amounted to S\$24.3 million as compared to net cash used in operating activities of S\$0.2 million in 1Q2018. The increase was mainly due to the increase in trade and other payable of S\$11.7 million, the increase in deferred income of S\$7.3 million, the decrease in trade receivables of S\$4.0 million and finance lease receivables of S\$0.4 million. This was partially offset by the increase in inventories of S\$2.2 million, the increase in prepayments of S\$2.6 million and the income tax paid of S\$0.1 million.

Net cash generated from investing activities amount to S\$5.3 million in 1Q2019 as compared to cash used in investing activities of S\$0.6 million in 1Q2018. This was mainly attributable to the proceed from maturity of fixed deposit of S\$5.5 million, partially offset by the purchase of plant and equipment of S\$0.3 million.

Net cash used in financing activities in 1Q2019 amounted to S\$23.5 million as compared to S\$3.7 million in 1Q2018. The cash used in financing activities was primarily derived from the acquisition of 49% equity interest of Rockland amounting to S\$29.2 million, repayment of lease liabilities of S\$0.5 million and the interest paid of S\$0.3 million, partially offset by the proceed from borrowings of S\$36.1 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's value proposition as a global aggregator of IT lifecycle services and data centre equipment continues to grow in importance as the move to the cloud for companies becomes imminent. According to Gartner, the worldwide public cloud service market is expected to grow around 81.6% to US\$331.2 billion in 2022 from US\$182.4 billion in 2018. Cloud system infrastructure services is expected to be the fastest growing segment, achieving near 151.1% growth from 2018 to reach US\$76.6 billion in 2022⁽¹⁾.

As cloud adoption rises, demand for migration and maintenance services is increasing, along with IT asset disposition ("ITAD") services as companies decommission their on-premises systems. As of 31 March 2019, Rockland became a

wholly-owned subsidiary of the Group, enhancing the Group's capabilities in the global storage maintenance services arena. This will aid the Group in growing its higher-margin Lifecycle Services segment to improve overall long-term profitability and expedite the Group's 2022 target for Lifecycle Services to account for half of its overall gross profit.

The Group's successful application of its channel strategy to expand its brand equity and reach globally through acquisitions and strategic partnerships has resulted in fruitful results over the last five quarters. Most recently, the Group secured partnerships with prominent OEM-certified pre-owned IT hardware platform, PureWRX and enterprise cloud platform, Nutanix. These partnerships provide the Group further access to a number of companies that require cost-effective brand-agnostic service providers to service or replace out-of-warranty or end-of-life equipment. Moreover, these partnerships represent a two-fold opportunity for the Group to bolster its IT Distribution segment as well as its Lifecycle Services segment as it forges lifetime customer relationships which could develop into future migration, maintenance and ITAD opportunities.

In March 2019, the Group welcomed Novo Tellus as its new major shareholder. Novo Tellus' insight into the market and relationships, especially in the Asia Pacific region, will be beneficial to the Group's growth.

The Group is well-poised for growth in FY2019. With a favourable outlook in the industry, barring unforeseen circumstances, the Group expects to leverage on its improved capabilities and widened reach to accelerate its momentum and gain an edge in the market.

⁽¹⁾<https://www.gartner.com/en/newsroom/press-releases/2018-09-12-gartner-forecasts-worldwide-public-cloud-revenue-to-grow-17-percent-in-2019>

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 March 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 March 2019 S\$'000

Provision of shared services by the DeClout Group

DeClout Limited	-	-
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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	-
	<u>34.8</u>	<u>32.5</u>	<u>2.3</u>

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 first quarter and three-month period ended 31 March 2019 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
2 May 2019