PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 June 2018 ("1H2018")

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	2Q2018 $'000	2Q2017 $'000	Change %	1H2018 $'000	1H2017 $'000	Change %
Revenue		63,288	43,595	45.2	112,780	81,899	37.7
Cost of sales		(40,784)	(30,120)	35.4	(72,352)	(55,560)	30.2
Gross profit		**22,504**	**13,475**	67.0	**40,428**	**26,339**	53.5
Other items of income							
Other income		279	497	(43.9)	611	1,041	(41.3)
Other credits		542	-	NM	399	-	NM
Other items of expense							
Selling expenses		(5,595)	(2,045)	173.6	(8,768)	(4,506)	94.6
Administrative expenses		(13,149)	(12,308)	6.8	(25,273)	(22,123)	14.2
Finance costs		(171)	(155)	10.3	(368)	(318)	15.7
Other charges		(1,198)	(959)	24.9	(1,839)	(1,905)	(3.5)
Profit/(loss) before tax		**3,212**	**(1,495)**	NM	**5,190**	**(1,472)**	NM
Income tax expense		(1,969)	(175)	NM	(2,945)	(34)	NM
Profit/(loss), net of tax		**1,243**	**(1,670)**	NM	**2,245**	**(1,506)**	NM
Profit/(loss) attributable to:							
Owners of the Company		1,243	(1,670)	NM	2,245	(1,506)	NM
Profit/(loss) for the period		**1,243**	**(1,670)**	NM	**2,245**	**(1,506)**	NM
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Foreign currency translation	1	(159)	412	NM	154	(181)	NM
Other comprehensive income for the period		**(159)**	**412**	NM	**154**	**(181)**	NM
Total comprehensive income for the period		**1,084**	**(1,258)**	NM	**2,399**	**(1,687)**	NM
Profit/(loss) for the period attributable to:							
Owners of the Company		1,243	(1,670)	NM	2,245	(1,506)	NM
Comprehensive income attributable to:							
Owners of the Company		**1,084**	**(1,258)**	NM	**2,399**	**(1,687)**	NM

	Note	2Q2018 $'000	2Q2017 $'000	Change %	1H2018 $'000	1H2017 $'000	Change %
Other income							
Interest income		60	52	15.4	108	107	0.9
Others		219	445	(50.8)	503	934	(46.1)
		279	497		611	1,041	
Other credits							
Foreign exchange gain	2	542	-	NM	399	-	NM
		542	-		399	-	
Other charges							
Loss on disposal of plant and equipment		1	76	(98.7)	1	76	(98.7)
Allowance for stock obsolescence	3	711	506	40.5	1,340	968	38.4
Allowance for trade receivables	4	486	2	NM	498	123	304.9
Foreign exchange loss		-	375	(100.0)	-	738	(100.0)
		1,198	959		1,839	1,905	
Other items							
Depreciation of plant and equipment	5	1,954	2,121	(7.9)	4,093	3,380	21.1
Amortisation of intangible assets		150	189	(20.6)	339	378	(10.3)
Interest expense		171	155	10.3	368	318	15.7

N.M. - Not meaningful

1. The increase in foreign currency translation for foreign operations in 1H2018 was mainly due to the movement of Sterling Pound ("GBP") and US Dollar ("USD") against Singapore Dollar ("S$"). The GBP weakened 0.8% in 1H2018 from S$1.80/GBP in December 2017 to S$1.79/GBP in June 2018. The USD strengthened 2.1% in 1H2018, from S$1.34/USD in December 2017 to S$1.37/USD in June 2018.

2. The foreign exchange gains mainly arose from the revaluation of USD denominated receivables. The USD strengthened from S$1.34/USD in December 2017 to S$1.37/USD in June 2018.

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

4. The allowance for doubtful trade receivables increased mainly due to an increase in the average age of the receivables.

5. The increase in depreciation of plant and equipment in 1H2018 was mainly due to the additional depreciation charge on the maintenance parts equipment procured for the maintenance business.

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-18 $'000	31-Dec-17 $'000	30-Jun-18 $'000	31-Dec-17 $'000
ASSETS				
Non-current assets				
Plant and equipment	24,609	27,378	22,076	23,007
Investments in subsidiaries	-	-	44,215	44,010
Intangible assets	13,489	13,824	1,299	1,560
Finance lease receivables	1,703	2,038	-	-
Deferred tax assets	1,082	1,190	-	-
Total non-current assets	**40,883**	**44,430**	**67,590**	**68,577**
Current assets				
Inventories	21,679	21,424	-	-
Trade and other receivables	57,995	48,267	12,194	13,073
Prepayments	9,583	5,444	6	18
Finance lease receivables	1,642	1,433	-	-
Derivative financial asset*	1,058	1,044	-	-
Cash and bank balances	17,032	18,459	7,738	5,911
Total current assets	**108,989**	**96,071**	**19,938**	**19,002**
Total assets	**149,872**	**140,501**	**87,528**	**87,579**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	33,039	29,154	4,737	2,900
Deferred income	22,462	20,527	-	-
Loans and borrowings	13,363	13,252	4,309	4,898
Income tax payable	4,895	3,377	1,387	-
	73,759	**66,310**	**10,433**	**7,798**
Non-current liabilities				
Deferred tax liabilities	629	629	80	80
Deferred income	2,734	821	-	-
Loans and borrowings	5,818	8,162	5,760	7,718
Provisions	547	807	65	-
Total non-current liabilities	**9,728**	**10,419**	**5,905**	**7,798**
Total liabilities	**83,487**	**76,729**	**16,338**	**15,596**
Equity attributable to owners of the Company				
Share capital	71,087	70,938	71,087	70,938
Retained earnings	15,086	12,840	(409)	598
Other reserves	(19,788)	(20,006)	512	447
Equity attributable to owners of the Company	**66,385**	**63,772**	**71,190**	**71,983**
Non-controlling interests *	0	0	-	-
Total equity	**66,385**	**63,772**	**71,190**	**71,983**
Total equity and liabilities	**149,872**	**140,501**	**87,528**	**87,579**

*: The derivative financial asset relates to the call option for the joint-venture
*: Less than $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 30-Jun-18			As at 31-Dec-17		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Amount repayable in one year or on demand	7,328	6,035	**13,363**	7,873	5,379	**13,252**
Amount repayable after one year	-	5,818	**5,818**	271	7,891	**8,162**
	7,328	**11,853**	**19,181**	**8,144**	**13,270**	**21,414**
Borrowings comprise:						
Bank term loans	-	10,669	**10,669**	-	12,625	**12,625**
Short term trade facilities	6,739	-	**6,739**	7,244	-	**7,244**
Finance lease obligations	589	285	**874**	900	395	**1,295**
Bank overdrafts	-	304	**304**	-	-	**-**
Others	-	595	**595**	-	250	**250**
	7,328	**11,853**	**19,181**	**8,144**	**13,270**	**21,414**

Details of collaterals

The secured short-term trade facilities of S$6.7 million as at 30 June 2018 (31 December 2017: S$7.2 million) include trust receipts and trade receivables factoring. The finance lease obligations of S$0.6 million as at 30 June 2018 are secured by charges over the fixed assets with a carrying amount of S$0.9 million as at 30 June 2018 (31 December 2017: S$1.3 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	
	2Q2018	2Q2017	1H2018	1H2017
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Profit/(loss) before tax	**3,212**	**(1,495)**	**5,190**	**(1,472)**
Adjustments for:				
Depreciation of plant and equipment	1,954	2,121	4,093	3,380
Amortisation of intangible assets	150	189	339	378
Share based payment	110	290	214	446
Loss on disposal of plant and equipment	1	76	1	76
Interest income	(60)	(52)	(108)	(107)
Interest expense	171	155	368	318
Inventories written down	711	506	1,340	968
Allowance for trade receivables	486	2	498	123
Exchange differences	406	193	287	(323)
Operating cash flows before changes in working capital	**7,141**	**1,985**	**12,222**	**3,787**
(Increase)/decrease in inventories	(2,865)	(326)	(1,110)	701
Increase in trade and other receivables	(6,669)	(5,678)	(9,642)	(10,821)
Decrease in finance lease receivables	118	6	125	514
Increase in prepayment	(14)	(1,856)	(4,139)	(2,264)
(Decrease)/increase in deferred income	(739)	6,108	3,848	13,243
Increase/(decrease) in trade and other payables	7,730	(6,336)	3,713	(2,160)
Net cash generated from/(used in) operations	**4,702**	**(6,097)**	**5,017**	**3,000**
Income taxes paid	(1,803)	(1,444)	(1,902)	(1,505)
Net cash generated from/(used in) operating activities	**2,899**	**(7,541)**	**3,115**	**1,495**
Cash flows from investing activities				
Purchase of plant and equipment	(656)	(346)	(1,390)	(2,808)
Proceeds from disposal of plant and equipment	123	104	204	104
Proceeds from maturity of fixed deposits	-	-	-	3,000
Net cash outflow from acquisition of subsidiaries	-	-	-	(21,645)
Interest received	61	52	108	107
Net cash used in investing activities	**(472)**	**(190)**	**(1,078)**	**(21,242)**
Cash flows from financing activities				
Placement of fixed deposits pledged for bank facilities	(1,453)	(1,386)	(1,453)	(1,382)
Proceeds from loans and borrowings	30,852	33,722	56,501	60,528
Repayments of loans and borrowings	(30,957)	(24,026)	(59,659)	(49,993)
Increase in amounts due to related companies	-	11	-	1
(Decrease)/increase in amounts due to holding company	(116)	155	(550)	304
Dividends paid	-	(1,330)	-	(1,330)
Interest paid	(172)	(155)	(368)	(318)
Net cash (used in)/generated from financing activities	**(1,846)**	**6,991**	**(5,529)**	**7,810**
Net increase/(decrease) in cash and cash equivalents	**581**	**(740)**	**(3,492)**	**(11,937)**
Effect of exchange rate changes on cash and cash equivalents	37	51	43	(42)
Cash and cash equivalents at beginning of the financial period	11,605	14,973	15,672	26,263
Cash and cash equivalents at end of the financial period	**12,223**	**14,284**	**12,223**	**14,284**
Cash and cash equivalents comprise the following:				
Cash and bank balances	17,032	15,861	17,032	15,861
Less: Bank overdraft	(595)	-	(595)	-
Less: Pledged deposits	(4,214)	(1,577)	(4,214)	(1,577)
Cash and cash equivalents	**12,223**	**14,284**	**12,223**	**14,284**

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 2018 (as previously stated)	**70,938**	**15,973**	**(23,069)**	**63,842**	**-**	**63,842**
Effect of adoption of SFRS(I)	-	(3,063)	3,063	-	-	**-**
Effect of adoption of SFRS(I) 15	-	10	-	10	-	**10**
Effect of adoption of SFRS(I) 9	-	(80)	-	(80)	-	**(80)**
Balance as at 1 January 2018 (as restated)	**70,938**	**12,840**	**(20,006)**	**63,772**	**-**	**63,772**
Total comprehensive income for the period	-	2,245	154	2,399	-	**2,399**
Issuance of new shares pursuant to performance shares plan	149	-	(149)	-		**-**
Share-based payment	-	-	214	214	-	**214**
Balance as at 30 June 2018	**71,087**	**15,085**	**(19,787)**	**66,385**	**-**	**66,385**
Balance as at 1 January 2017 (as previously stated)	**70,068**	**20,052**	**(23,038)**	**67,082**	**-**	**67,082**
Effect of adoption of SFRS(I)	-	(3,063)	3,063	-	-	**-**
Effect of adoption of SFRS(I) 15	-	(28)	-	(28)	-	**(28)**
Balance as at 1 January 2017 (as restated)	**70,068**	**16,961**	**(19,975)**	**67,054**	**-**	**67,054**
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**	**14,125**	**(19,710)**	**64,483**	**-**	**64,483**

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2018	70,938	598	447	**71,983**
Total comprehensive income for the period	-	(1,007)	-	**(1,007)**
Issuance of new shares pursuant to performance shares plan	149	-	(149)	**-**
Share-based payment	-	-	214	**214**
Balance as at 30 June 2018	**71,087**	**(409)**	**512**	**71,190**
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**

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 2018	282,057	70,938
As at 30 June 2018	282,569	71,087

B) Share options – employee share option scheme

Between 1 January 2018 and 30 June 2018, the Company did not issue any shares under the employee share option scheme.

As at 30 June 2018, there are no outstanding options under the employee share option scheme (30 June 2017: NIL).

C) Performance share plan

As at 30 June 2018, the number of outstanding awards granted under the performance share plan was 4,076,400 (30 June 2017: 7,161,500).

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 30 June 2018 and 30 June 2017.

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 2018 was 282,569,100 (31 December 2017: 282,056,600). 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 financial year ended 30 June 2018 compared with those of the audited financial statements for the financial year ended 31 December 2017, except for the adoption Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group adopted SFRS(I) on 1 January 2018, including improvements to SFRS(I) and Interpretations of SFRS(I) that are mandatory for financial years beginning on or after 1 January 2018, and in the period ended 30 June 2018, where applicable.

On transition to SFRS(I), the Group elected the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group reclassified the foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of SFRS(I)15 and SFRS(I)9, the adoption of the SFRS(I) will have no material impact on the financial statements in the year of initial application.

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	2Q2018	2Q2017	1H2018	1H2017
Basic earnings per share (cents)	0.44	(0.60)	0.79	(0.54)
Fully diluted earnings per share (cents)	0.43	(0.59)	0.78	(0.53)

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-18	31-Dec-17	30-Jun-18	31-Dec-17
Net asset value per share (cents)	23.49	22.61	25.19	25.52
Number of shares in issue ('000)	282,569	282,057	282,569	282,057

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 – 2Q2018 vs 2Q2017

	2Q2018	2Q2017	Change %
Revenue ($'000)			
IT Distribution	47,310	34,381	37.6
Lifecycle Services	15,978	9,214	73.4
Total	**63,288**	**43,595**	45.2
Gross Profit ($'000)			
IT Distribution	13,402	10,371	29.2
Lifecycle Services	9,102	3,104	193.2
Total	**22,504**	**13,475**	67.0
Gross Profit Margin (%)			
IT Distribution	28.3	30.2	(1.9)
Lifecycle Services	57.0	33.7	23.3
Total	**35.6**	**30.9**	4.7

Revenue from the IT Distribution and Lifecycle Services business segments increased by 37.6% and 73.4%, respectively. The IT Distribution business segment's revenue grew from S$34.4 million in 2Q2017 to S$47.3 million in 2Q2018, mainly attributable to better performance from the Asia Pacific and the North and South America (the "Americas"). The revenue from the Lifecycle Services business segment increased from S$9.2 million in 2Q2017 to S$16.0 million in 2Q2018, mainly due 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 67.0% from S$13.5 million in 2Q2017 to S$22.5 million in 2Q2018, in line with higher revenue. The Group's overall gross profit margin increased by 4.7 percentage points from 30.9% in 2Q2017 to 35.6% in 2Q2018. The gross profit margin in the IT Distribution business segment decreased from 30.2% in 2Q2017 to 28.3% in 2Q2018 as a result of the Group's strategy to capture higher market share in the industry and diversifying the brand mix of the hardware sales at the expense of lower margins. The gross profit margin in the Lifecycle Services business segment increased from 33.7% in 2Q2017 to 57.0% in 2Q2018, mainly attributable to the shift in the delivery of maintenance services from being primarily based on outsourcing to one which is integrated with in-house capabilities.

Selling expenses increased by $3.6 million, from $2.0 million in 2Q2017 to $5.6 million in 2Q2018. The higher pay-out of sales commission, in line with the growth in gross profit. The increase in commission rate from tiered commission plan also resulted in the increased selling expenses.

Administrative expenses increased by S$0.8 million, from S$12.3 million in 2Q2017 to S$13.1 million in 2Q2018, mainly due to increase in staff cost. Staff costs increased 11.4% or $0.9 million year-on-year as a result of the merit increase in 2Q2018.

Other charges increased from S$1.0 million in 2Q2017 to S$1.2 million in 2Q2018. The other charges recorded in 2Q2018 mainly arose from the provision for stock obsolescence of S$0.7 million and the allowance for bad debt of S$0.5 million. Additional allowance of S$0.1 million were made to the receivables with the adoption of SFRS(I)9.

As a result of the above, the Group recorded a pre-tax profit of S$3.2 million in 2Q2018 compared to a loss of S$1.5 million in 2Q2017.

The Group recorded an income tax expense of S$2.0 million in 2Q2018 and a profit after tax of S$1.2 million in 2Q2018 as compared to a loss of S$1.7 million in 2Q2017. The high effective tax rate was mainly due to tax provision that arose from the Global Parts Center's charges to the America's maintenance business.

Review of performance – 1H2018 vs 1H2017

	1H2018	1H2017	Change %
Revenue ($'000)			
IT Distribution	81,341	65,155	24.8
Lifecycle Services	31,439	16,744	87.8
Total	**112,780**	**81,899**	37.7
Gross Profit			
IT Distribution	21,811	20,305	7.4
Lifecycle Services	18,617	6,034	208.5
Total	**40,428**	**26,339**	53.5
Gross Profit Margin (%)			
IT Distribution	26.8	31.2	(4.4)
Lifecycle Services	59.2	36.0	23.2
Total	**35.8**	**32.2**	3.6

Revenue from the IT Distribution and Lifecycle Services business segments increased by 24.8% and 87.8%, respectively. The IT Distribution business segment's revenue grew from S$65.2 million in 1H2017 to S$81.3 million in 1H2018, mainly attributable to better performance from the Asia Pacific and the Americas. The revenue from the Lifecycle Services business segment increased from S$16.7 million in 1H2017 to S$31.4 million in 1H2018, mainly due to the better performance from the Americas and the EMEA.

The Group's overall gross profit increased 53.5% from S$26.3 million in 1H2017 to S$40.4 million in 1H2018, in line with higher revenue. The Group's overall gross profit margin increased by 3.6 percentage points from 32.2% in 1H2017 to 35.8% in 1H2018. The gross profit margin in the IT Distribution business segment decreased from 31.2% in 1H2017 to 26.8% in 1H2018 as a result of the Group's strategy to capture higher market share in the industry and diversifying the brand mix of the hardware sales at the expense of lower margins. The gross profit margin in the Lifecycle Services business segment increased from 36.0% in 1H2017 to 59.2% in 1H2018, mainly attributable to the shift in the delivery of maintenance services from being primarily based on outsourcing to one which is integrated with in-house capabilities.

Selling expenses increased by $4.3 million, from $4.5 million in 1H2017 to $8.8 million in 1H2018. The higher pay-out of sales commission, in line with the growth in gross profit and the increase in commission rate from tiered commission plan, resulted in the increased selling expenses.

Administrative expenses increased by S$3.2 million, from S$22.1 million in 1H2017 to S$25.3 million in 1H2018, mainly due to the maiden expenses of S$2.3 million from Rockland (being 4 months in 1H2017 as compared to 6 months in 1H2018). Staff costs, excluding Rockland, increased 9.0% or $1.0 million as a result of the merit increase.

Other charges decreased from S$1.9 million in 1H2017 to S$1.8 million in 1H2018. The other charges recorded in 1H2018 mainly arose from the provision for stock obsolescence of S$1.3 million and the allowance for bad debt of S$0.5 million. Additional allowance of S$0.1 million were made to the receivables with the adoption of SFRS(I)9.

As a result of the above, the Group recorded a pre-tax profit of S$5.2 million in 1H2018 compared to a loss of S$1.5 million in 1H2017.

The Group recorded an income tax expense of S$2.9 million in 1H2018 and a profit after tax of S$2.2 million in 1H2018 as compared to a loss of S$1.5 million in 1H2017. The high effective tax rate was mainly due to tax provision that arose from the Global Parts Center's charges to the America's maintenance business.

Review of financial position

Non-current assets

a) Plant and equipment decreased by S$2.8 million from S$27.4 million as at 31 December 2017 to S$24.6 million as at 30 June 2018. The addition of maintenance parts equipment acquired to support the Group's third-party maintenance business was offset by depreciation charges of S$4.1 million.

   At the Company level, the plant and equipment decreased by S$0.9 million from S$23.0 million as at 31 December 2017 to S$22.1 million as at 30 June 2018. The purchase of maintenance parts to support the Group's third-party maintenance business was offset by depreciation charges of S$3.1 million.

b) Intangible assets decreased by S$0.3 million, mainly due to the amortisation charge of S$0.3 million and partially offset by the translation gain of S$0.1 million on the balance of intangible assets as at 30 June 2018. The intangible assets were primarily denominated in foreign currencies.

c) Finance lease receivables (both current and non-current) decreased by S$0.1 million to S$3.3 million as at 30 June 2018. The new leases secured during the period was partially offset by the repayments.

Current assets

d) Inventories increased by S$0.3 million from S$21.4 million as at 31 December 2017 to S$21.7 million as at 30 June 2018 as a result of increases in inventory level to cater for the anticipated increase in sales demand in the following quarter.

e) Trade and other receivables increased by S$9.7 million to S$58.0 million as at 30 June 2018. The increase was mainly due the increase in revenue and some large deals that were booked towards the end of 2Q2018.

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

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

Liabilities

h) The decrease in loans and borrowings (both current and non-current) of S$2.2 million was mainly due to the repayment of term loans, short-term trade facilities and finance leases.

i) Deferred income (both current and non-current) principally comprised of deferred maintenance revenue from signed maintenance contracts. Deferred income increased by S$3.8 million to S$25.2 million as at 30 June 2018.

j) Trade and other payables increased by S$3.9 million to S$33.0 million as at 30 June 2018.

Net current position

The Group recorded a positive working capital of S$35.2 million as at 30 June 2018 compared to S$29.8 million as at 31 December 2017.

Review of cash flows

Net cash generated from operating activities in 1H2018 amounted to S$3.1 million as compared to S$1.5 million in 1H2017. The increase was mainly due to higher operating profits, the increase in deferred income of S$3.8 million and the increase in trade and other payable of S$3.7 million. This was partially offset by the increase in inventories of S$1.1 million and the increase in trade and other receivables and prepayments of S$9.6 million and S$4.1 million respectively.

Net cash used in investing activities decreased to S$1.1 million in 1H2018 as compared to S$21.2 million in 1H2017. This was mainly attributable to the lower purchase of plant and equipment amounting to S$1.4 million. The cash used in investing activities in 1H2017 was mainly due to the acquisition of subsidiaries and the purchase of plant and equipment amounting to S$21.6 million and S$2.8 million respectively, partially offset by the proceeds from maturity of fixed deposit.

Net cash used in financing activities in 1H2018 amounted to S$5.5 million as compared to cash generated from financing activities of S$7.8 million in 1H2017. The cash used in financing activities was primarily due to the repayment of borrowings of S$59.7 million, partially offset by net proceeds from loans and borrowings of S$56.5 million.

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

The unaudited financial results for the financial year ended 30 June 2018 set out in this announcement are in line with the corporate and business update announcement released by the Company on 30 January 2018.

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 has achieved a successful turnaround, reporting a profit before tax of S$5.2 million for the six months ended 30 June 2018 ("1H2018") compared with a pre-tax loss of S$1.5 million for the six months ended 30 June 2017 ("1H2017"). This bears testimony to the Group's four-pronged strategy to sharpen overall value proposition and strengthen market foothold globally, which has gained momentum since the strategy was announced on 30 January 2018.

Growth of the higher-margin recurring income from the Group's Lifecycle Services business segment has progressed well. This business segment contributed S$18.6 million, or 46.0% of the Group's gross profit for 1H2018, compared to S$6.0 million, or 22.9% of the Group's gross profit for 1H2017.

The Group will continue to work on the smooth execution of its four-pronged strategy to deepen its value proposition within existing markets, while seeking opportunities in new geographies, particularly in the Asia Pacific ("APAC") region.

The Group remains on track to return to profitability for the full year ending 31 December 2018.

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.

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 S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 1 January 2018 to 30 June 2018 $'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 2018 to 30 June 2018 $'000
Provision of shared services by the DeClout Group		
DeClout Limited	NA	211

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 (as disclosed in the Prospectus) 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	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 2018 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
6 August 2018