PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 September 2018 ("9M2018")

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	3Q2018 $'000	3Q2017 $'000	Change %	9M2018 $'000	9M2017 $'000	Change %
Revenue		55,382	51,256	8.0	168,163	133,154	26.3
Cost of sales		(35,543)	(35,162)	1.1	(107,896)	(90,722)	18.9
Gross profit		**19,839**	**16,094**	23.3	**60,267**	**42,432**	42.0
Other items of income							
Other income		541	595	(9.1)	1,153	1,636	(29.5)
Other credits		121	139	(12.9)	521	-	NM
Other items of expense							
Selling expenses		(3,423)	(2,528)	35.4	(12,191)	(7,034)	73.3
Administrative expenses		(13,000)	(12,696)	2.4	(38,273)	(34,819)	9.9
Finance costs		(172)	(210)	(18.1)	(540)	(528)	2.3
Other charges		(1,224)	(930)	31.6	(3,064)	(2,695)	13.7
Profit/(loss) before tax		**2,682**	**464**	478.0	**7,873**	**(1,008)**	NM
Income tax expense		(1,260)	(450)	180.0	(4,206)	(485)	767.2
Profit/(loss), net of tax		**1,422**	**14**	NM	**3,667**	**(1,493)**	NM
Profit/(loss) attributable to:							
Owners of the Company		1,422	14	NM	3,667	(1,493)	NM
Profit/(loss) for the period		**1,422**	**14**	NM	**3,667**	**(1,493)**	NM
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Foreign currency translation	1	(136)	228	NM	18	47	(61.7)
Other comprehensive income for the period		**(136)**	**228**	NM	**18**	**47**	(61.7)
Total comprehensive income for the period		**1,286**	**242**	431.4	**3,685**	**(1,446)**	NM
Profit/(loss) for the period attributable to:							
Owners of the Company		1,422	14	NM	3,667	(1,493)	NM
Comprehensive income attributable to:							
Owners of the Company		**1,286**	**242**	431.4	**3,685**	**(1,446)**	NM

Statement of comprehensive income

	Note	3Q2018 $'000	3Q2017 $'000	Change %	9M2018 $'000	9M2017 $'000	Change %
Other income							
Interest income		72	45	60.0	180	152	18.4
Others		469	550	(14.7)	973	1,484	(34.4)
		541	595		1,153	1,636	
Other credits							
Foreign exchange gain	2	121	139	(12.9)	521	-	NM
		121	139		521	-	
Other charges							
Loss on disposal of plant and equipment		-	50	NM	1	127	(99.2)
Allowance for stock obsolescence	3	609	868	(29.8)	1,950	1,836	6.2
Allowance for trade receivables	4	566	12	NM	1,064	136	682.4
Loss on fair value of derivative financial asse	5	49	-	NM	49	-	NM
Foreign exchange loss		-	-	NM	-	596	NM
		1,224	930		3,064	2,695	
Other items							
Depreciation of plant and equipment	6	2,116	2,106	0.5	6,210	5,486	13.2
Amortisation of intangible assets		130	189	(31.2)	469	567	(17.3)
Interest expense		172	210	(18.1)	540	528	2.3

N.M. - Not meaningful

1. The decrease in foreign currency translation for foreign operations in 9M2018 was mainly due to the movement of Sterling Pound ("GBP") and US Dollar ("USD") against Singapore Dollar ("S$"). The GBP weakened 0.9% in 9M2018 from S$1.80/GBP in December 2017 to S$1.79/GBP in September 2018. The USD strengthened 2.2% in 9M2018, from S$1.34/USD in December 2017 to S$1.37/USD in September 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 September 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. As previously disclosed in the Company's announcement dated 23 January 2017 on the Rockland Congruity LLC ("Rockland") joint venture, the Company has an option (the "Rockland Call Option") to purchase the remaining 49% membership interest of Rockland. The loss on fair value of derivative financial asset arose from the fair value assessment of this option as at 30 September 2018.

6. The increase in depreciation of plant and equipment in 9M2018 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-Sep-18 $'000	31-Dec-17 $'000	30-Sep-18 $'000	31-Dec-17 $'000
ASSETS				
Non-current assets				
Plant and equipment	23,238	27,378	21,127	23,007
Investments in subsidiaries	-	-	44,299	44,010
Intangible assets	13,286	13,824	1,169	1,560
Finance lease receivables	1,438	2,038	-	-
Deferred tax assets	1,150	1,190	-	-
Total non-current assets	**39,112**	**44,430**	**66,595**	**68,577**
Current assets				
Inventories	21,291	21,424	-	-
Trade and other receivables	55,348	48,267	12,340	13,073
Prepayments	9,659	5,444	40	18
Finance lease receivables	1,145	1,433	-	-
Derivative financial asset*	1,011	1,044	-	-
Cash and bank balances	20,678	18,459	8,527	5,911
Total current assets	**109,132**	**96,071**	**20,907**	**19,002**
Total assets	**148,244**	**140,501**	**87,502**	**87,579**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	35,147	29,154	5,695	2,900
Deferred income	19,786	20,527	-	-
Loans and borrowings	12,162	13,252	4,210	4,898
Income tax payable	5,181	3,377	1,477	-
	72,276	**66,310**	**11,382**	**7,798**
Non-current liabilities				
Deferred tax liabilities	533	629	80	80
Deferred income	2,329	821	-	-
Loans and borrowings	4,785	8,162	4,785	7,718
Provisions	563	807	65	-
Total non-current liabilities	**8,210**	**10,419**	**4,930**	**7,798**
Total liabilities	**80,486**	**76,729**	**16,312**	**15,596**
Equity attributable to owners of the Company				
Share capital	71,087	70,938	71,087	70,938
Retained earnings	16,507	12,840	(496)	598
Other reserves	(19,836)	(20,006)	599	447
Equity attributable to owners of the Company	**67,758**	**63,772**	**71,190**	**71,983**
Non-controlling interests *	0	0	-	-
Total equity	**67,758**	**63,772**	**71,190**	**71,983**
Total equity and liabilities	**148,244**	**140,501**	**87,502**	**87,579**

*: The derivative financial asset relates to the Rockland Call Option
*: 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 30-Sep-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	6,750	5,412	**12,162**	7,873	5,379	**13,252**
Amount repayable after one year	-	4,785	**4,785**	271	7,891	**8,162**
	6,750	**10,197**	**16,947**	**8,144**	**13,270**	**21,414**
Borrowings comprise:						
Bank term loans	-	9,494	**9,494**	-	12,625	**12,625**
Short term trade facilities	6,319	-	**6,319**	7,244	-	**7,244**
Finance lease obligations	431	230	**661**	900	395	**1,295**
Bank ov erdrafts	-	139	**139**	-	-	**-**
Others	-	334	**334**	-	250	**250**
	6,750	**10,197**	**16,947**	**8,144**	**13,270**	**21,414**

Details of collaterals

The secured short-term trade facilities of S$6.3 million as at 30 September 2018 (31 December 2017: S$7.2 million) include trust receipts and trade receivables factoring. The finance lease obligations of S$0.7 million as at 30 September 2018 are secured by charges over the fixed assets with a carrying amount of S$0.8 million as at 30 September 2018 (31 December 2017: S$1.2 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	
	3Q2018	3Q2017	9M2018	9M2017
	$'000	$'000	$'000	$'000
Cash flows from operating activities				
Profit/(loss) before tax	**2,682**	**464**	**7,873**	**(1,008)**
Adjustments for:				
Depreciation of plant and equipment	2,116	2,106	6,210	5,486
Amortisation of intangible assets	130	189	469	567
Share based payment	87	356	301	802
Loss on disposal of plant and equipment	-	50	1	127
Loss on fair value of derivative financial asset	49	-	49	-
Interest income	(72)	(45)	(180)	(152)
Interest expense	172	210	540	528
Inventories written down	609	868	1,950	1,836
Allowance for trade receivables	566	12	1,064	136
Exchange differences	(271)	84	12	(241)
Operating cash flows before changes in working capital	**6,068**	**4,294**	**18,289**	**8,081**
(Increase)/decrease in inventories	(394)	(458)	(1,979)	244
Decrease/(increase) in trade and other receivables	2,058	(1,447)	(7,584)	(12,269)
Decrease in finance lease receivables	763	220	888	733
Increase in prepayment	(76)	(1,862)	(4,214)	(4,126)
(Decrease)/increase in deferred income	(3,080)	2,289	768	15,593
Increase/(decrease) in trade and other payables	2,413	(1,012)	6,126	(3,233)
Net cash generated from operations	**7,752**	**2,024**	**12,294**	**5,023**
Income taxes paid	(978)	(195)	(2,880)	(1,700)
Net cash generated from operating activities	**6,774**	**1,829**	**9,414**	**3,323**
Cash flows from investing activities				
Purchase of plant and equipment	(1,140)	(2,684)	(2,055)	(5,492)
Proceeds from disposal of plant and equipment	130	782	333	886
Placement of fixed deposits pledged for bank facilities	(2,685)	(1,327)	(4,135)	(2,709)
Proceeds from maturity of fixed deposits	-	-	-	3,000
Net cash outflow from acquisition of subsidiaries	-	-	-	(21,645)
Interest received	72	45	180	152
Net cash used in investing activities	**(3,623)**	**(3,184)**	**(5,677)**	**(25,808)**
Cash flows from financing activities				
Proceeds from loans and borrowings	28,048	24,118	84,549	84,646
Repayments of loans and borrowings	(29,797)	(26,795)	(89,456)	(76,787)
Increase in amounts due to related companies	2	7	2	8
Increase/(decrease) in amounts due to holding company	204	-	(347)	304
Dividends paid	-	-	-	(1,330)
Interest paid	(172)	(210)	(540)	(528)
Net cash (used in)/generated from financing activities	**(1,715)**	**(2,880)**	**(5,792)**	**6,313**
Net increase/(decrease) in cash and cash equivalents	**1,436**	**(4,235)**	**(2,055)**	**(16,172)**
Effect of exchange rate changes on cash and cash equivalents	(73)	2	(31)	(40)
Cash and cash equivalents at beginning of the financial period	12,224	14,284	15,673	26,263
Cash and cash equivalents at end of the financial period	**13,587**	**10,051**	**13,587**	**10,051**
Cash and cash equivalents comprise the following:				
Cash and bank balances	20,678	13,562	20,678	13,562
Less: Bank overdraft	(139)	(607)	(139)	(607)
Less: Pledged deposits	(6,952)	(2,904)	(6,952)	(2,904)
Cash and cash equivalents	**13,587**	**10,051**	**13,587**	**10,051**

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	-	3,667	18	3,685	-	**3,685**
Issuance of new shares pursuant to performance shares plan	149	-	(149)	-		**-**
Share-based payment	-	-	301	301	-	**301**
Balance as at 30 September 2018	**71,087**	**16,507**	**(19,836)**	**67,758**	**-**	**67,758**
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	-	(1,493)	47	(1,446)	-	**(1,446)**
						-
Share-based payment	-	-	802	802	-	**802**
Dividends	-	(1,330)	-	(1,330)	-	**(1,330)**
Balance as at 30 September 2017	**70,068**	**14,138**	**(19,126)**	**65,080**	**-**	**65,080**

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	-	(1,094)	-	**(1,094)**
Issuance of new shares pursuant to performance shares plan	149	-	(149)	**-**
Share-based payment	-	-	301	**301**
Balance as at 30 September 2018	**71,087**	**(496)**	**599**	**71,190**
Balance as at 1 January 2017	70,068	(1,442)	208	**68,834**
Total comprehensive income for the period	-	3,194	-	**3,194**
Share-based payment	-	-	802	**802**
Dividends	-	(1,330)	-	**(1,330)**
Balance as at 30 September 2017	**70,068**	**422**	**1,010**	**71,500**

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 September 2018	282,569	71,087

B) Share options – employee share option scheme

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

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

C) Performance share plan

As at 30 September 2018, the number of outstanding awards granted under the performance share plan was 3,732,400 (30 September 2017: 6,989,500).

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 September 2018 and 30 September 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 September 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 but have been reviewed by the Company's independent auditors in accordance with the Singapore Standards in Review Engagements 2410.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Please refer to the independent auditors' review report dated 9 November 2018 appended to this announcement as Appendix A.

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 September 2018 compared with those of the audited financial statements for the financial year ended 31 December 2017, except for the adoption of 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 September 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	3Q2018	3Q2017	9M2018	9M2017
Basic earnings per share (cents)	0.50	0.01	1.30	(0.53)
Fully diluted earnings per share (cents)	0.50	0.00	1.28	(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-Sep-18	31-Dec-17	30-Sep-18	31-Dec-17
Net asset v alue per share (cents)	23.98	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 – 3Q2018 vs 3Q2017

	3Q2018	3Q2017	Change %
Revenue ($'000)			
IT Distribution	39,086	40,042	(2.4)
Lifecycle Services	16,296	11,214	45.3
Total	**55,382**	**51,256**	8.0
Gross Profit ($'000)			
IT Distribution	10,763	9,485	13.5
Lifecycle Services	9,076	6,609	37.3
Total	**19,839**	**16,094**	23.3
Gross Profit Margin (%)			
IT Distribution	27.5	23.7	3.8
Lifecycle Services	55.7	58.9	(3.2)
Total	**35.8**	**31.4**	4.4

The Group's revenue increased by 8.0% from S$51.3 million in 3Q2017 to S$55.4 million in 3Q2018. The IT Distribution business segment's revenue decreased by 2.4% from S$40.0 million in 3Q2017 to S$39.1 million in 3Q2018, mainly due to lower contribution from the Asia Pacific and the Europe (including the UK), Middle East and Africa ("EMEA"). The revenue from the Lifecycle Services business segment increased by 45.3% from S$11.2 million in 3Q2017 to S$16.3 million in 3Q2018, mainly attributable to the better performance from the North and South America (the "Americas") and EMEA.

The Group's overall gross profit increased 23.3% from S$16.1 million in 3Q2017 to S$19.8 million in 3Q2018, in line with higher revenue. The Group's overall gross profit margin increased by 4.4 percentage points from 31.4% in 3Q2017 to 35.8% in 3Q2018. The gross profit margin in the IT Distribution business segment increased from 23.7% in 3Q2017 to 27.5% in 3Q2018 as a result of some high margin deals that were booked during the period. The gross profit margin in the Lifecycle Services business segment decreased from 58.9% in 3Q2017 to 55.7% in 3Q2018, mainly attributable to the higher maintenance services cost. The margin is still in line with the Group's expectation for Lifecycle Services business.

Selling expenses increased by $0.9 million, from S$2.5 million in 3Q2017 to S$3.4 million in 3Q2018. The growth in gross profit resulted in a higher pay-out of sales commission. The increase in commission rate from tiered commission plan also contributed to the increased selling expenses.

Administrative expenses increased by S$0.3 million, from S$12.7 million in 3Q2017 to S$13.0 million in 3Q2018, mainly due to increase in staff cost. Staff costs increased 3.8% or $0.3 million year-on-year as a result of the merit increase in 2Q2018.

Other charges increased by S$0.3 million, from S$0.9 million in 3Q2017 to S$1.2 million in 3Q2018. The other charges recorded in 3Q2018 mainly arose from the provision for stock obsolescence of S$0.6 million and the allowance for bad debts 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$2.7 million in 3Q2018 compared to S$0.5 million in 3Q2017.

The Group recorded an income tax expense of S$1.3 million in 3Q2018. 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. Profit after tax rose to S$1.4 million in 3Q2018 from S$14,000 in 3Q2017.

Review of performance – 9M2018 vs 9M2017

	9M2018	9M2017	Change %
Revenue ($'000)			
IT Distribution	120,428	105,196	14.5
Lifecycle Services	47,735	27,958	70.7
Total	**168,163**	**133,154**	26.3
Gross Profit			
IT Distribution	32,575	29,788	9.4
Lifecycle Services	27,692	12,644	119.0
Total	**60,267**	**42,432**	42.0
Gross Profit Margin (%)			
IT Distribution	27.0	28.3	(1.3)
Lifecycle Services	58.0	45.2	12.8
Total	**35.8**	**31.9**	3.9

Revenue from the IT Distribution and Lifecycle Services business segments increased by 14.5% and 70.7%, respectively. The IT Distribution business segment's revenue grew from S$105.2 million in 9M2017 to S$120.4 million in 9M2018, mainly attributable to better performance from the Asia Pacific and the Americas. The revenue from the Lifecycle Services business segment increased from S$28.0 million in 9M2017 to S$47.7 million in 9M2018, mainly due to the better performance from the Americas and the EMEA.

The Group's overall gross profit increased 42.0% from S$42.4 million in 9M2017 to S$60.3 million in 9M2018, in line with higher revenue. The Group's overall gross profit margin increased by 3.9 percentage points from 31.9% in 9M2017 to 35.8% in 9M2018. The gross profit margin in the IT Distribution business segment decreased from 28.3% in 9M2017 to 27.0% in 9M2018 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 45.2% in 9M2017 to 58.0% in 9M2018, 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 S$5.2 million, from S$7.0 million in 9M2017 to S$12.2 million in 9M2018. 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$3.5 million, from S$34.8 million in 9M2017 to S$38.3 million in 9M2018, mainly due to the maiden expenses of S$2.3 million from Rockland (being 7 months in 9M2017 as compared to 9 months in 9M2018). Staff costs, excluding Rockland, increased 5.1% or S$0.9 million as a result of the merit increase.

Other charges increased by S$0.4 million, from S$2.7 million in 9M2017 to S$3.1 million in 9M2018. The other charges recorded in 9M2018 mainly arose from the provision for stock obsolescence of S$2.0 million and the allowance for bad debts of S$1.1 million. Inventory are carried by IT Distribution business segment and the procurement are 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$7.9 million in 9M2018 compared to a loss of S$1.0 million in 9M2017.

The Group recorded an income tax expense of S$4.2 million in 9M2018 and a profit after tax of S$3.7 million in 9M2018 as compared to a loss of S$1.5 million in 9M2017. The high effective tax rate was mainly due to a 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$4.1 million from S$27.4 million as at 31 December 2017 to S$23.2 million as at 30 September 2018. The addition of maintenance parts equipment acquired to support the Group's third-party maintenance business was offset by depreciation charges of S$6.2 million.

   At the Company level, the plant and equipment decreased by S$1.9 million from S$23.0 million as at 31 December 2017 to S$21.1 million as at 30 September 2018. The purchase of maintenance parts to support the Group's third-party maintenance business was offset by depreciation charges of S$4.7 million.

b) Intangible assets decreased by S$0.5 million, mainly due to the amortisation charge of S$0.5 million.

c) Finance lease receivables (both current and non-current) decreased by S$0.9 million to S$2.6 million as at 30 September 2018. The new leases secured during the period was partially offset by the repayments.

Current assets

d) Inventories remains relatively flat at S$21.3 million.

e) Trade and other receivables increased by S$7.1 million to S$55.3 million as at 30 September 2018. The increase was mainly due to the increase in revenue.

f) Prepayments increased by S$4.2 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$4.5 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$0.8 million to S$22.1 million as at 30 September 2018.

j) Trade and other payables increased by S$6.0 million to S$35.1 million as at 30 September 2018.

Net current position

The Group recorded a positive working capital of S$36.9 million as at 30 September 2018 compared to S$29.8 million as at 31 December 2017.

Review of cash flows

Net cash generated from operating activities in 9M2018 amounted to S$9.4 million as compared to S$3.3 million in 9M2017. The increase was mainly due to higher operating profits, the decrease in finance lease receivables of S$0.9 million, the increase in deferred income of S$0.8 million and the increase in trade and other payable of S$6.1 million. This was partially offset by the increase in inventories of S$2.0 million and the increase in trade and other receivables and prepayments of S$7.6 million and S$4.2 million respectively.

Net cash used in investing activities decreased to S$5.7 million in 9M2018 as compared to S$25.8 million in 9M2017. This was mainly attributable to the lower purchase of plant and equipment amounting to S$2.1 million and the placement of fixed deposit of S$4.1 million. The cash used in investing activities in 9M2017 was mainly due to the acquisition of subsidiaries and the purchase of plant and equipment amounting to S$21.6 million and S$5.5 million respectively, partially offset by the proceeds from maturity of fixed deposit.

Net cash used in financing activities in 9M2018 amounted to S$5.8 million as compared to cash generated from financing activities of S$6.3 million in 9M2017. The cash used in financing activities was primarily due to the repayment of borrowings of S$89.5 million, partially offset by net proceeds from loans and borrowings of S$84.5 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 September 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 key industry trends outlined in the Group's Corporate and Business Update announced in January this year remain relevant to the Group. These include the growing acceptance among IT users of the secondary IT equipment market with more original equipment manufacturers endorsing the sale of certified refurbished or excess equipment, as well as a shift towards open-server architecture with companies and data centre operators increasingly preferring to work with vendor-agnostic service providers, such as Procurri.

As disclosed in January 2017, Procurri has an option to acquire the rest of Rockland Congruity it does not already own. As Rockland Congruity provides maintenance support services, increasing its stake or taking full control of Rockland Congruity could position Procurri to compete even more effectively with other maintenance support providers. Procurri will make the relevant announcements if it goes ahead with such a transaction.

Notwithstanding the receipt of an unsolicited non-binding indication of interest from a third party to acquire shares in Procurri by way of a possible general offer, as disclosed on 7 September 2018, the Group remains focused on growing both its Lifecycle Services and IT distribution businesses. Procurri will make the relevant announcements when there are material developments on this matter.

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 September 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 September 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 third quarter and nine-month period ended 30 September 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
9 November 2018

Appendix A

Independent auditor's report on review of interim condensed consolidated financial statements for the nine-month period ended 30 September 2018

Independent auditor's report to the members of Procurri Corporation Limited

Report on the interim condensed consolidated financial statements

We have reviewed the accompanying unaudited interim condensed financial statements of Procurri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the interim condensed statements of financial position of the Group and the Company as at 30 September 2018, the statements of changes in equity of the Group and the Company and the interim condensed consolidated statement of comprehensive income, and interim condensed consolidated cash flow statement for the period from 1 January 2018 to 30 September 2018, and explanatory notes.

Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Singapore Financial Reporting Standard (International) 1-34 *Interim Financial Reporting* (SFRS(I) 1-34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with SFRS(I) 1-34.

Other matters

We have not carried out a review in accordance with Singapore Standards on Review Engagements on the interim financial information for the nine-month period ended 30 September 2017 included as comparative figures in this interim financial information, as the Group was not required to present reviewed financial information for the period. The interim financial information for the nine-month period ended 30 September 2017 is the responsibility of the management and directors.

Restriction and Distribution of Use

Our report is provided in accordance with the terms of our engagement. Our work was undertaken so that we might report to you on the Interim Financial Information for the purpose of assisting the Company to comply with Rule 25 of the Singapore Code on Take-overs and Mergers, and for no other purpose. Our report is included in the Company's announcement of its unaudited results for the period ended 30 September 2018, for the information of its members. We do not assume responsibility to anyone other than the Company for our work, for our report, or for the conclusions we have reached in our report.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

9 November 2018