

**PROCURRI CORPORATION LIMITED**  
**(Registration No: 201306969W)**  
**UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT**  
**FOR THE PERIOD ENDED 31 December 2017 ("FY2017")**

**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	4Q2017 \$'000	4Q2016 \$'000	Change %	FY2017 \$'000	FY2016 \$'000	Change %
<b>Revenue</b>	48,668	41,936	16.1	181,822	135,750	33.9
Cost of sales	(32,132)	(28,089)	14.4	(122,854)	(89,713)	36.9
<b>Gross profit</b>	<b>16,536</b>	<b>13,847</b>	19.4	<b>58,968</b>	<b>46,037</b>	28.1
<b>Other items of income</b>						
Other income	1,494	1,689	(11.5)	3,130	2,715	15.3
Other credits	-	1,059	NM	-	1,297	NM
<b>Other items of expense</b>						
Selling expenses	(3,166)	(2,731)	15.9	(10,200)	(9,664)	5.5
Administrative expenses	(13,051)	(8,736)	49.4	(47,871)	(27,401)	74.7
Finance costs	(209)	(198)	5.6	(737)	(729)	1.1
Other charges	(2,871)	(1,596)	79.9	(5,566)	(2,460)	126.3
IPO expenses	-	-	NM	-	(2,181)	NM
<b>Profit/(loss) before tax</b>	<b>(1,267)</b>	<b>3,334</b>	NM	<b>(2,276)</b>	<b>7,614</b>	NM
Income tax expense	12	(1,033)	(101.2)	(473)	(2,475)	(80.9)
<b>Profit/(loss), net of tax</b>	<b>(1,255)</b>	<b>2,301</b>	NM	<b>(2,749)</b>	<b>5,139</b>	NM
<b>Profit/(loss) attributable to:</b>						
Owners of the Company	(1,255)	2,301	NM	(2,749)	5,139	NM
Non-controlling interests	-	-		-	-	
<b>Profit/(loss) for the period/year</b>	<b>(1,255)</b>	<b>2,301</b>	NM	<b>(2,749)</b>	<b>5,139</b>	NM
<b>Other comprehensive income</b>						
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	(317)	50	NM	(270)	(2,595)	(89.6)
Other comprehensive income for the period/year	<b>(317)</b>	<b>50</b>	NM	<b>(270)</b>	<b>(2,595)</b>	(89.6)
<b>Total comprehensive income for the period/year</b>	<b>(1,572)</b>	<b>2,351</b>	NM	<b>(3,019)</b>	<b>2,544</b>	NM
<b>Profit/(loss) for the period/year attributable to:</b>						
Owners of the Company	(1,255)	2,301	NM	(2,749)	5,139	NM
<b>Comprehensive income attributable to:</b>						
Owners of the Company	<b>(1,572)</b>	<b>2,351</b>	NM	<b>(3,019)</b>	<b>2,544</b>	NM

		4Q2017	4Q2016	Change	FY2017	FY2016	Change
		\$'000	\$'000	%	\$'000	\$'000	%
	Note						
<u>Other income</u>							
Interest income		11	96	(88.5)	163	165	(1.2)
Gain on bargain purchase		-	1,243	NM	-	1,243	NM
Gain on fair value of derivative financial asset	2	1,044	-	NM	1,044	-	NM
Others		439	350	25.4	1,923	1,307	47.1
		<u>1,494</u>	<u>1,689</u>		<u>3,130</u>	<u>2,715</u>	
<u>Other credits</u>							
Gain on disposal of plant and equipment		-	-	NM	-	41	NM
Foreign exchange gain		-	1,059	NM	-	1,256	NM
		<u>-</u>	<u>1,059</u>		<u>-</u>	<u>1,297</u>	
<u>Other charges</u>							
Loss on disposal of plant and equipment		51	-	NM	178	-	NM
Allowance for stock obsolescence	3	912	991	(8.0)	2,748	2,123	29.4
Allowance for trade receivables	4	999	513	94.7	1,135	245	363.3
Plant and equipment written off		-	92	NM	-	92	NM
Foreign exchange loss	5	187	-	NM	783	-	NM
Others	6	722	-	NM	722	-	NM
		<u>2,871</u>	<u>1,596</u>		<u>5,566</u>	<u>2,460</u>	
<u>Other items</u>							
Depreciation of plant and equipment	7	2,210	982	NM	7,696	3,677	NM
Amortisation of intangible assets		189	189	-	756	756	-
Interest expense		209	198	5.6	737	729	1.1

N.M. - Not meaningful

Notes:

1. The decrease in foreign currency translation for foreign operations was mainly due to the movement of Sterling Pound ("GBP") and US Dollar ("USD") against Singapore Dollar ("S\$"). The GBP weakened 15.3% in FY2016, from S\$2.10/GBP in December 2015 to S\$1.78/GBP in December 2016, versus a strengthening of 1.1% in FY2017 from S\$1.78/GBP in December 2016 to S\$1.80/GBP in December 2017. The USD weakened 7.6% in FY2017, from S\$1.45/USD in December 2016 to S\$1.34/USD in December 2017.
2. 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 to purchase the remaining 49% membership interest of Rockland. The gain on fair value of derivative financial asset arose from the fair value assessment of this option as at 31 December 2017.
3. The allowance for stock obsolescence arose due to the Group's policy to mark down multi-generational inventories to net realisable value.
4. The allowance for doubtful trade receivables was due to provision made as a result of the increase in the average age of the receivables.
5. The foreign exchange loss mainly arose from the revaluation of USD denominated receivables. The USD weakened from S\$1.45/USD in December 2016 to S\$1.34/USD in December 2017.
6. Others comprised the impairment of staff advance.
7. The increase in depreciation of plant and equipment was mainly due to the additional depreciation charge on the maintenance parts equipment procured in the set-up of the Global Parts Centre.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b><u>Non-current assets</u></b>				
Plant and equipment	27,378	11,304	23,007	7,116
Investments in subsidiaries	-	-	44,010	42,564
Intangible assets	13,824	14,322	1,559	2,079
Finance lease receivables	2,038	1,677	-	-
Deferred tax assets	1,190	554	-	-
<b>Total non-current assets</b>	<b>44,430</b>	<b>27,857</b>	<b>68,576</b>	<b>51,759</b>
<b><u>Current assets</u></b>				
Inventories	21,424	15,641	-	-
Trade and other receivables	48,347	39,410	13,073	11,214
Prepayments	5,434	2,868	18	11
Finance lease receivables	1,433	1,299	-	-
Derivative financial asset	1,044	-	-	-
Cash and bank balances	18,459	30,006	5,911	18,170
<b>Total current assets</b>	<b>96,141</b>	<b>89,224</b>	<b>19,002</b>	<b>29,395</b>
<b>Total assets</b>	<b>140,571</b>	<b>117,081</b>	<b>87,578</b>	<b>81,154</b>
<b>EQUITY AND LIABILITIES</b>				
<b><u>Current liabilities</u></b>				
Trade and other payables	29,154	24,670	2,899	6,007
Advance billings	20,527	3,452	-	-
Loans and borrowings	14,997	13,607	6,643	2,960
Income tax payable	3,377	1,033	-	-
	<b>68,055</b>	<b>42,762</b>	<b>9,542</b>	<b>8,967</b>
<b><u>Non-current liabilities</u></b>				
Deferred tax liabilities	629	508	80	167
Loans and borrowings	6,417	4,480	5,973	3,186
Provisions	807	827	-	-
Deferred income	821	1,422	-	-
<b>Total non-current liabilities</b>	<b>8,674</b>	<b>7,237</b>	<b>6,053</b>	<b>3,353</b>
<b>Total liabilities</b>	<b>76,729</b>	<b>49,999</b>	<b>15,595</b>	<b>12,320</b>
<b><u>Equity attributable to owners of the Company</u></b>				
Share capital	70,938	70,068	70,938	70,068
Retained earnings	15,973	20,052	598	(1,442)
Other reserves	(23,069)	(23,038)	447	208
<b>Equity attributable to owners of the Company</b>	<b>63,842</b>	<b>67,082</b>	<b>71,983</b>	<b>68,834</b>
Non-controlling interests *	0	-	-	-
<b>Total equity</b>	<b>63,842</b>	<b>67,082</b>	<b>71,983</b>	<b>68,834</b>
<b>Total equity and liabilities</b>	<b>140,571</b>	<b>117,081</b>	<b>87,578</b>	<b>81,154</b>

\*: 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 31-Dec-17			As at 31-Dec-16		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or on demand	7,873	7,124	14,997	7,090	6,517	13,607
Amount repayable after one year	271	6,146	6,417	900	3,580	4,480
	<b>8,144</b>	<b>13,270</b>	<b>21,414</b>	<b>7,990</b>	<b>10,097</b>	<b>18,087</b>
Borrowings comprise:						
Bank term loans	-	12,625	12,625	-	8,195	8,195
Short term trade facilities	7,244	-	7,244	6,435	381	6,816
Finance lease obligations	900	395	1,295	1,555	607	2,162
Bank overdrafts	-	-	-	-	548	548
Others	-	250	250	-	366	366
	<b>8,144</b>	<b>13,270</b>	<b>21,414</b>	<b>7,990</b>	<b>10,097</b>	<b>18,087</b>

#### Details of collaterals

The secured short-term trade facilities of \$7.2 million as at 31 December 2017 (31 December 2016: \$6.4 million) include trust receipts and trade receivables factoring. The finance lease obligations of \$0.9 million as at 31 December 2017 are secured by charges over the fixed assets with a carrying amount of \$1.3 million as at 31 December 2017 (31 December 2016: \$2.3 million).

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	4Q2017	4Q2016	FY2017	FY2016
	\$'000	\$'000	\$'000	\$'000
<b><u>Cash flows from operating activities</u></b>				
Profit/(loss) before tax	(1,267)	3,334	(2,276)	7,614
Adjustments for:				
Depreciation of plant and equipment	2,210	982	7,696	3,677
Amortisation of intangible assets	189	189	756	756
Share based payment	307	156	1,109	208
Gain on bargain purchase	-	(1,243)	-	(1,243)
Loss/(gain) on disposal of plant and equipment	51	-	178	(41)
Gain on fair value of derivative financial asset	(1,044)	-	(1,044)	-
Interest income	(11)	(96)	(163)	(165)
Interest expense	209	198	737	729
Inventories written down	912	991	2,748	2,123
Allowance for trade receivables	999	513	1,135	245
Plant and equipment written off	-	92	-	92
Exchange differences	(605)	(238)	(841)	(1,320)
<b>Operating cash flows before changes in working capital</b>	<b>1,950</b>	<b>4,878</b>	<b>10,035</b>	<b>12,675</b>
Decrease/(increase) in inventories	1,450	(765)	(3,197)	(3,750)
Decrease/(increase) in trade and other receivables	4,390	(5,776)	(7,879)	(7,917)
(Increase)/decrease in finance lease receivables	(1,228)	547	(495)	(1,787)
Decrease/(increase) in prepayment	1,560	2,466	(2,566)	(984)
Increase/(decrease) in advance billing	1,482	(1,397)	17,075	979
Increase in trade and other payables	7,346	6,503	4,113	1,362
<b>Net cash generated from operations</b>	<b>16,950</b>	<b>6,456</b>	<b>17,086</b>	<b>578</b>
Income taxes paid	348	211	(1,352)	(1,202)
<b>Net cash generated from/(used in) operating activities</b>	<b>17,298</b>	<b>6,667</b>	<b>15,734</b>	<b>(624)</b>
<b><u>Cash flows from investing activities</u></b>				
Purchase of plant and equipment	(7,939)	(3,071)	(8,541)	(5,390)
Proceeds from disposal of plant and equipment	112	65	998	502
Placement of fixed deposits	-	(3,000)	-	(3,000)
Proceeds from maturity of fixed deposits	-	-	3,000	-
Net cash outflow from acquisition of subsidiaries	-	(2,003)	(21,646)	(2,003)
Decrease in amounts due from related companies	-	2,973	-	2,973
Decrease in amounts due from holding company	-	5,891	-	5,892
Interest received	11	96	163	165
<b>Net cash (used in)/generated from investing activities</b>	<b>(7,816)</b>	<b>951</b>	<b>(26,026)</b>	<b>(861)</b>
<b><u>Cash flows from financing activities</u></b>				
Issuance of share capital	-	-	-	38,573
Acquisition of non-controlling interest	-	-	-	(7,000)
Share issuance expenses	-	-	-	(1,567)
Release/(placement) of fixed deposits pledged for bank facilities	118	4	(2,591)	-
Proceeds from loans and borrowings	27,590	32,665	112,236	75,079
Repayments of loans and borrowings	(31,425)	(35,742)	(108,213)	(75,176)
(Decrease)/increase in amounts due to related companies	-	(3,058)	8	(3)
Increase/(decrease) in amounts due to holding company	17	(5,608)	320	(4,095)
Decrease in amounts due to directors	-	-	-	(1,428)
Dividends paid	-	-	(1,330)	-
Interest paid	(209)	(198)	(737)	(729)
<b>Net cash (used in)/generated from financing activities</b>	<b>(3,909)</b>	<b>(11,937)</b>	<b>(307)</b>	<b>23,654</b>

	Group		Group	
	4Q2017	4Q2016	FY2017	FY2016
	\$'000	\$'000	\$'000	\$'000
Net increase/(decrease) in cash and cash equivalents	5,573	(4,319)	(10,599)	22,169
Effect of exchange rate changes on cash and cash equivalents	49	23	9	(11)
Cash and cash equivalents at beginning of the financial period	10,051	30,559	26,263	4,105
<b>Cash and cash equivalents at end of the financial period</b>	<b>15,673</b>	<b>26,263</b>	<b>15,673</b>	<b>26,263</b>
<b>Cash and cash equivalents comprise the following:</b>				
Cash and bank balances	18,459	30,006	18,459	30,006
Less: Bank overdraft	-	(548)	-	(548)
Less: Pledged deposits	(2,786)	(3,195)	(2,786)	(3,195)
Cash and cash equivalents	<b>15,673</b>	<b>26,263</b>	<b>15,673</b>	<b>26,263</b>

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
<b>Balance as at 1 January 2017</b>	70,068	20,052	(23,038)	67,082	-	<b>67,082</b>
Total comprehensive income for the year	-	(2,749)	(270)	(3,019)	-	<b>(3,019)</b>
Issuance of new shares pursuant to performance shares plan	870	-	(870)	-	-	-
Share-based payment	-	-	1,109	1,109	-	<b>1,109</b>
Dividends	-	(1,330)	-	(1,330)	-	<b>(1,330)</b>
<b>Balance as at 31 December 2017</b>	<b>70,938</b>	<b>15,973</b>	<b>(23,069)</b>	<b>63,842</b>	<b>-</b>	<b>63,842</b>
<b>Balance as at 1 January 2016</b>	33,062	14,913	(13,749)	34,226	98	<b>34,324</b>
Total comprehensive income for the year	-	5,139	(2,595)	2,544	-	<b>2,544</b>
Issuance of new shares pursuant to IPO	38,573	-	-	38,573	-	<b>38,573</b>
Share issue expenses	(1,567)	-	-	(1,567)	-	<b>(1,567)</b>
Share-based payment	-	-	208	208	-	<b>208</b>
Acquisition of non-controlling interests in a subsidiary	-	-	(6,902)	(6,902)	(98)	<b>(7,000)</b>
<b>Balance as at 31 December 2016</b>	<b>70,068</b>	<b>20,052</b>	<b>(23,038)</b>	<b>67,082</b>	<b>-</b>	<b>67,082</b>

  

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	\$'000	\$'000	\$'000	\$'000
<b>Balance as at 1 January 2017</b>	70,068	(1,442)	208	<b>68,834</b>
Total comprehensive income for the year	-	3,370	-	<b>3,370</b>
Issuance of new shares pursuant to performance shares plan	870	-	(870)	-
Share-based payment	-	-	1,109	<b>1,109</b>
Dividends	-	(1,330)	-	<b>(1,330)</b>
<b>Balance as at 31 December 2017</b>	<b>70,938</b>	<b>598</b>	<b>447</b>	<b>71,983</b>
<b>Balance as at 1 January 2016</b>	33,062	374	-	<b>33,436</b>
Total comprehensive income for the year	-	(1,816)	-	<b>(1,816)</b>
Issuance of new shares pursuant to IPO	38,573	-	-	38,573
Share issue expenses	(1,567)	-	-	(1,567)
Share-based payment	-	-	208	208
<b>Balance as at 31 December 2016</b>	<b>70,068</b>	<b>(1,442)</b>	<b>208</b>	<b>68,834</b>

- 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**

	<b>Number of Ordinary Shares '000</b>	<b>Issued and Paid- up Share Capital \$'000</b>
As at 1 January 2017	280,000	70,068
As at 31 December 2017	282,057	70,938

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

Between 1 January 2017 and 31 December 2017, the Company did not issue any shares under the employee share option scheme.

As at 31 December 2017, there are no outstanding options under the employee share option scheme (31 December 2016: NIL).

**C) Performance share plan**

As at 31 December 2017, the number of outstanding awards granted under the performance share plan was 4,760,900 (31 December 2016: 1,747,000).

The shares to be issued pursuant to the awards are subject to certain performance conditions to be satisfied by the respective participants. Once the performance conditions are satisfied, the shares to be issued pursuant to the awards shall be released to the respective participants after the respective performance periods.

**D) Treasury shares and subsidiary holdings**

No treasury shares and subsidiary holdings were held by the Company as at 31 December 2017 and 31 December 2016.

- 1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares as at 31 December 2017 was 282,056,600 (31 December 2016: 280,000,000). The Company has no treasury shares.

- 1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable as the Company does not have treasury shares.

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable as the Company does not have subsidiary holdings.



**2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the financial year ended 31 December 2017 compared with those of the audited financial statements for the financial year ended 31 December 2016, except for the adoption of the Singapore Financial Reporting Standards ("SFRS"), including improvements to SFRS and Interpretations of FRS that are mandatory for financial years beginning on or after 1 January 2017, and in the period ended 31 December 2017, where applicable.

The adoption of these new/revised standards and interpretations applicable for the financial period beginning 1 January 2017 did not result in significant change to the Group's accounting policies and did not have a material impact on the Group's financial results for the period and financial year ended 31 December 2017.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Please refer to item 4 above.

**6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Group	4Q2017	4Q2016	FY2017	FY2016
Basic earnings per share (cents)	(0.45)	0.95	(0.98)	2.12
Fully diluted earnings per share (cents)	(0.44)	0.95	(0.96)	2.12

**7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**

- a) current financial period reported on; and
- b) immediately preceding financial year.

	Group		Company	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Net asset value per share (cents)	22.63	23.96	25.52	24.58
Number of shares in issue ('000)	282,057	280,000	282,057	280,000

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- 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
  - 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 – 4Q2017 vs 4Q2016

	4Q2017	4Q2016	Change %
<b>Revenue (\$'000)</b>			
IT Distribution	35,132	30,601	14.8
Lifecycle Services	13,536	11,335	19.4
<b>Total</b>	<b>48,668</b>	<b>41,936</b>	16.1
<b>Gross Profit (\$'000)</b>			
IT Distribution	8,817	8,390	5.1
Lifecycle Services	7,719	5,457	41.5
<b>Total</b>	<b>16,536</b>	<b>13,847</b>	19.4
<b>Gross Profit Margin (%)</b>			
IT Distribution	25.1	27.4	(2.3)
Lifecycle Services	57.0	48.1	8.9
<b>Total</b>	<b>34.0</b>	<b>33.0</b>	1.0

Revenue from the IT Distribution and Lifecycle Services business segments increased by 14.8% and 19.4%, respectively. The IT Distribution business segment's revenue grew from \$30.6 million in 4Q2016 to \$35.1 million in 4Q2017, mainly attributable to Rockland Congruity LLC ("Rockland") and EAF Supply Chain Limited ("EAF"). The revenue from the Lifecycle Services business segment increased from \$11.3 million in 4Q2016 to \$13.5 million in 4Q2017, mainly due to the better performance from Europe (including the United Kingdom ("UK")), Middle East and Africa ("EMEA") and Rockland.

The Group's overall gross profit increased 19.4% from \$13.8 million in 4Q2016 to \$16.5 million in 4Q2017, in line with higher revenue. The Group's overall gross profit margin increased by 1.0 percentage points from 33.0% in 4Q2016 to 34.0% in 4Q2017. The gross profit margin in the IT Distribution business segment decreased from 27.4% in 4Q2016 to 25.1% in 4Q2017 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 48.1% in 4Q2016 to 57.0% in 4Q2017, 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, but was partially offset by the additional depreciation charge on the maintenance parts equipment procured in the set-up of the Global Parts Centre ("GPC").

Other income stood at \$1.5 million in 4Q2017 mainly due to the fair-value adjustment of the call option to purchase the remaining 49% membership interest in Rockland, which amounted to \$1.0 million.

Despite the higher revenue, selling expenses (excluding EAF and Rockland) remained relatively flat for 4Q2017 due to lower pay-out of sales commissions, in line with the lower gross profit margin. Selling expenses (including EAF and Rockland) stood at \$3.2 million for 4Q2017.

Administrative expenses increased by \$4.3 million, from \$8.7 million in 4Q2016 to \$13.1 million in 4Q2017, mainly due to the maiden expenses of \$3.5 million from EAF (being 2 months in 4Q2016 as compared to 3 months in 4Q2017) and Rockland.

Other charges increased from \$1.6 million in 4Q2016 to \$2.9 million in 4Q2017, mainly due to foreign currency exchange losses of \$0.2 million, the impairment of staff advance of \$0.7 million, loss on disposal of property, plant and equipment of \$0.1 million, allowance for trade receivables of \$1.0 million and the provision for stock obsolescence of \$0.9 million.

As a result of the above, the Group recorded a pre-tax loss of S\$1.3 million in 4Q2017 compared to a pre-tax profit of S\$3.3 million in 4Q2016.

As previously disclosed on 12 May 2017, the Group's business model in the Americas has shifted away from being primarily based on outsourcing to one which is integrated with in-house maintenance servicing capabilities. This change requires a straight-line recognition of the maintenance service revenue over the contract durations. This has resulted in revenue recognition for the maintenance service orderbook in the Americas and, accordingly, lower revenue despite the Group building up a stronger orderbook as at 31 December 2017 compared to a year ago.

The Group recorded an income tax credit of S\$12,000 in 4Q2017 and a loss after tax of S\$1.3 million in 4Q2017 compared to a profit of S\$2.3 million in 4Q2016.

#### Review of performance – FY2017 vs FY2016

	<b>FY2017</b>	<b>FY2016</b>	<b>Change %</b>
<b>Revenue (\$'000)</b>			
IT Distribution	140,328	106,319	32.0
Lifecycle Services	41,494	29,431	41.0
<b>Total</b>	<b>181,822</b>	<b>135,750</b>	33.9
<b>Gross Profit</b>			
IT Distribution	38,606	31,453	22.7
Lifecycle Services	20,362	14,584	39.6
<b>Total</b>	<b>58,968</b>	<b>46,037</b>	28.1
<b>Gross Profit Margin (%)</b>			
IT Distribution	27.5	29.6	(2.1)
Lifecycle Services	49.1	49.6	(0.5)
<b>Total</b>	<b>32.4</b>	<b>33.9</b>	(1.5)

The Group's revenue increased 33.9% or S\$46.1 million from S\$135.8 million in FY2016 to S\$181.8 million in FY2017. Revenue from the IT Distribution and Lifecycle Services business segments increased 32.0% and 41.0%, respectively. The revenue from the IT Distribution business segment grew from S\$106.3 million in FY2016 to S\$140.3 million in FY2017. The increase was mainly contributed by EAF and Rockland. The revenue from the Lifecycle Services business segment increased from S\$29.4 million in FY2016 to S\$41.5 million in FY2017, mainly attributable to the better performance from EMEA and the contribution from EAF and Rockland.

The Group's overall gross profit increased 28.1% from S\$46.0 million in FY2016 to S\$59.0 million in FY2017 in line with the higher revenue.

The Group's overall gross profit margin decreased by 1.5 percentage points from 33.9% in FY2016 to 32.4% in FY2017. The gross profit margin for the IT Distribution business segment decreased from 29.6% in FY2016 to 27.5% in FY2017, and is in line with the Group's expectation of a 25% to 32% margin for the IT Distribution business. The decrease in gross profit margin in the Lifecycle Services business segment from 49.6% in FY2016 to 49.1% was due to the depreciation charge on the maintenance parts equipment procured in the set-up of the GPC to support the in-house maintenance business.

Other charges increased from S\$2.5 million in FY2016 to S\$5.6 million in FY2017, mainly due to foreign currency exchange losses of S\$0.8 million, the impairment of staff advance of S\$0.7 million, the increase in provision for stock obsolescence and the provision for doubtful debts.

Selling expenses increased by 5.5% or S\$0.5 million, from S\$9.7 million in FY2016 to S\$10.2 million in FY2017 mainly due to the maiden expenses from EAF and Rockland.

Administrative expenses increased by S\$20.5 million, from S\$27.4 million in FY2016 to S\$47.9 million in FY2017, as a result of the increase in the aggregate staff cost, depreciation and other operating expenses. Maiden expenses from EAF (consisting of 2 months in FY2016: S\$1.1 million) and Rockland accounted for S\$16.4 million of the increase. The remaining S\$4.1 million increase was due to staff costs (excluding EAF and Rockland) which increased 15.9% or S\$2.7 million as a result of the higher headcount to support the Group's expansion plans. Rental and maiden post-listing compliance costs formed the rest of the increase.

The Group had income tax expense of S\$0.5 million in FY2017 compared to S\$2.5 million in FY2016 due mainly to the lower profit recorded at the subsidiaries' level.

The Group recorded a loss of S\$2.7 million for FY2017 compared to a profit after tax of S\$5.1 million in FY2016.

#### Review of financial position

#### **Non-current assets**

- a) Plant and equipment increased by S\$16.1 million from S\$11.3 million as at 31 December 2016 to S\$27.4 million as at 31 December 2017, mainly due to the addition of S\$21.3 million in the maintenance parts equipment and S\$1.7 million for a "hardware as a service" contract in Singapore, where the customer is leasing a set of IT equipment. As previously disclosed in the Company's announcement dated 23 January 2017 on the Rockland joint venture, the addition of S\$21.3 million in maintenance parts was made to support the Group's third-party maintenance business. The increase was partially offset by depreciation charges of S\$7.7 million.

At the Company level, the S\$15.9 million increase in plant and equipment was mainly due to the purchase of maintenance parts to support the Group's third-party maintenance business, and partially offset by depreciation charges of S\$5.2 million.

- b) Intangible assets decreased by S\$0.5 million, mainly due to the amortisation charge of S\$0.8 million and partially offset by the translation gain of S\$0.3 million on the balance of intangible assets as at 31 December 2017. The intangible assets were primarily denominated in foreign currencies.
- c) Finance lease receivables (both current and non-current) increased from S\$3.0 million as at 31 December 2016 to S\$3.5 million as at 31 December 2017, mainly due to the new leases secured during the period, and partially offset by the repayments.

#### **Current assets**

- d) Inventories increased by S\$5.8 million to S\$21.4 million as at 31 December 2017, of which S\$5.6 million was due to Rockland's set-up. Procurri LLC and EAF recorded increases in inventory level to cater for the anticipated increase in sales demand in the following year. The increase was partially offset by the decrease in Singapore and EMEA (excluding EAF).
- e) Trade and other receivables increased by 22.7% or S\$8.9 million to S\$48.3 million as at 31 December 2017, due to S\$15.0 million of receivables from Rockland's set up. The increase in other receivables was mainly due to income tax receivables in Procurri LLC.
- f) Prepayments increased by S\$2.6 million mainly due to higher advance payments made to suppliers.
- g) The movement in cash and bank balances is illustrated in the statement of cash flows and review of cash flows.

#### **Liabilities**

- h) The increase in loans and borrowings (both current and non-current) of S\$3.3 million was mainly due to the increase in term loans and short-term trade facilities, and partially offset by the decrease in trust receipts and the repayments.
- i) The advance billings increased from S\$3.5 million as at 31 December 2016 to S\$20.5 million as at 31 December 2017, of which S\$9.6 million was from Rockland, and was consistent with the increased order book.
- j) Trade and other payables increased by S\$4.5 million to S\$29.2 million as at 31 December 2017.

## Net current position

The Group recorded a positive working capital of S\$28.1 million as at 31 December 2017 compared to S\$46.5 million as at 31 December 2016.

### Review of cash flows

Net cash generated from operating activities in FY2017 amounted to S\$15.7 million compared to net cash used of S\$0.6 million in FY2016. This was mainly due to increase in advance billings and trade and other payables of S\$17.1 million and S\$4.1 million respectively. The increase was partially offset by the increase in inventories, trade and other receivables, finance lease receivables and prepayments of S\$3.2 million, S\$7.9 million, S\$0.5 million and S\$2.6 million respectively.

Net cash used in investing activities increased to S\$26.0 million in FY2017 compared to S\$0.9 million in FY2016. This was mainly attributable to the purchase of plant and equipment of S\$8.5 million and the cash outflow from acquisition of subsidiaries of S\$21.6 million, and partially offset by the proceeds from maturity of fixed deposits of S\$3.0 million and the proceeds from disposal of plant and equipment of S\$1.0 million.

Net cash used in financing activities in FY2017 amounted to S\$0.3 million compared to cash generated from financing activities of S\$23.7 million in FY2016. The cash used in financing activities was primarily due to the repayment of borrowings of S\$108.2 million, placement of fixed deposits of S\$2.6 million, and dividend payment to the Company's shareholders of S\$1.3 million, partially offset by net proceeds from loans and borrowings of S\$112.2 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 31 December 2017 set out in this announcement are in line with the corporate and business update and profit guidance 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.

As announced in the Company's corporate and business update on 30 January 2018, the Group has outlined a roadmap to grow its position in the higher-margin US\$59.1 billion IT services industry, capture a meaningful share of the US\$34.8 billion global market for secondary IT equipment, and return to profitability. The strategies include cementing the Group's credibility as an approved channel for genuine hardware, growing the higher margin maintenance business, expanding markets and enlarging customer base, as well as improving internal efficiencies.

The Group is also building up sustainable recurring income from its Lifecycle Services business segment, with an order book amounting to S\$22.4 million as at 31 December 2017, up from S\$21.9 million as at 30 September 2017. Geographically, the Group is looking to expand its presence in North Asia and strengthen its Asia Pacific ("APAC") positioning in three core businesses – Hardware Resale, Independent Maintenance Services and IT Asset Disposition – to improve its APAC performance in FY2018.

The Group has recently concluded the integration of EAF into Procurri Europe Limited, and is in the process of streamlining its subsidiaries in the UK into this single entity. Apart from achieving cost efficiencies, the unified entity will strengthen the Procurri brand name in EMEA.

The Group aims to build on its momentum in FY2017 to secure more authorised partnerships with Original Equipment Manufacturers, increase its order book, and improve its Lifecycle Services gross profit margin. Barring unforeseen circumstances, it expects to report a net profit for FY2018.

**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?**

Dividend	Final
Dividend Type	Cash
Dividend Rate	0.475 cent per ordinary share
Tax Rate	One-tier tax exempt

**(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)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	1 January 2017 to 31 December 2017 \$'000	1 January 2017 to 31 December 2017 \$'000
<u>Provision of shared services by the DeClout Group</u>		
DeClout Limited	NA	478
<u>Others</u>		
Pacific Wave Pte Ltd	471	NA

## 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)	Net Proceeds utilised as at the date of this announcement	Balance of Net Proceeds as at the date of this announcement
	S\$ million	S\$ million	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	-
	<u>34.8</u>	<u>30.8</u>	<u>4.0</u>

## 15 Confirmation pursuant to Rule 720 (1) of the Listing Manual.

The Company confirms that it has procured the undertakings from all its directors and executive officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

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

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

#### (a) Business segments

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is monitored based on revenue and gross profit. Selling expenses, administrative expenses, finance costs, assets and liabilities are managed on a legal entity basis and are not monitored by segments. Please refer to paragraph 8 of this announcement for the review of the results of the IT Distribution and Lifecycle Services segments.

#### (b) Geographical segments

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

	FY2017	FY2016	Increase / (decrease)
	\$'000	\$'000	%
<b><u>Geographical information by revenue</u></b>			
Singapore	27,852	32,893	(15.3)
EMEA	66,327	37,437	77.2
Americas	81,948	60,418	35.6
Others	5,695	5,002	13.9
	<u>181,822</u>	<u>135,750</u>	33.9
<b><u>Geographical information by non current assets</u></b>			
Singapore	26,685	11,306	136.0
EMEA	10,540	10,209	3.2
Americas	1,248	503	148.1
Others	2,729	3,608	(24.4)
	<u>41,202</u>	<u>25,626</u>	60.8

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

Please refer to paragraph 8 of this announcement.

- 18 A breakdown of sales.

	FY2017	FY2016	Increase / (decrease)
	\$'000	\$'000	%
(a) Sales reported for the first half year	81,899	61,965	32%
(b) Profit after tax for the first half year	(1,506)	3,017	NM
(c) Sales reported for the second half year	99,923	73,785	35%
(d) Profit after tax for the second half year	(1,243)	2,122	NM

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

	FY2017	FY2016
	\$'000	\$'000
Dividend		
- Final	-	1,330
Total	-	1,330

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

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

**BY ORDER OF THE BOARD**

Thomas Sean Murphy  
Chairman and Global Chief Executive Officer  
28 February 2018

*DBS Bank Ltd. was the issue manager and underwriter (the "Issue Manager and Underwriter") for the initial public offering of shares in, and listing of, Procurri Corporation Limited on the Main Board of the Singapore Exchange Securities Trading Limited. The Issue Manager and Underwriter assumes no responsibility for the contents of this announcement.*