PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 JUNE 2019 ("2Q2019")

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	2Q2019 $'000	2Q2018 $'000	Change %	1H2019 $'000	1H2018 $'000	Change %
Revenue		54,960	63,288	(13.2)	108,777	112,780	(3.5)
Cost of sales		(33,807)	(40,784)	(17.1)	(67,554)	(72,352)	(6.6)
Gross profit		**21,153**	**22,504**	(6.0)	**41,223**	**40,428**	2.0
Other items of income							
Other income		293	279	5.0	568	611	(7.0)
Other credits		151	542	(72.1)	147	399	(63.2)
Other items of expense							
Selling expenses		(4,204)	(5,595)	(24.9)	(8,703)	(8,768)	(0.7)
Administrative expenses		(13,866)	(13,149)	5.5	(26,272)	(25,273)	4.0
Finance costs		(433)	(171)	153.2	(716)	(368)	94.6
Other charges		(997)	(1,198)	(16.8)	(1,616)	(1,839)	(12.1)
Profit before tax		**2,097**	**3,212**	(34.7)	**4,631**	**5,190**	(10.8)
Income tax expense	1	(772)	(1,969)	(60.8)	(1,553)	(2,945)	(47.3)
Profit, net of tax		**1,325**	**1,243**	6.6	**3,078**	**2,245**	37.1
Profit attributable to:							
Owners of the Company		1,325	1,243	6.6	3,078	2,245	37.1
Profit for the period		**1,325**	**1,243**	6.6	**3,078**	**2,245**	37.1
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Foreign currency translation	2	(688)	(159)	332.7	(384)	154	(349.4)
Other comprehensive income for the period		**(688)**	**(159)**	332.7	**(384)**	**154**	(349.4)
Total comprehensive income for the period		**637**	**1,084**	(41.2)	**2,694**	**2,399**	12.3
Profit for the period attributable to:							
Owners of the Company		1,325	1,243	6.6	3,078	2,245	37.1
Comprehensive income attributable to:							
Owners of the Company		**637**	**1,084**	(41.2)	**2,694**	**2,399**	12.3

Statement of comprehensive income

	Note	2Q2019 $'000	2Q2018 $'000	Change %	1H2019 $'000	1H2018 $'000	Change %
Other income							
Interest income		49	60	(18.3)	99	108	(8.3)
Others		244	219	11.4	469	503	(6.8)
		293	279		568	611	
Other credits							
Foreign exchange gain	3	151	542	(72.1)	147	399	(63.2)
		151	542		147	399	
Other charges							
Loss on disposal of plant and equipment		-	1	NM	-	1	NM
Allowance for trade receivables	4	139	486	(71.4)	179	498	(64.1)
Allowance for stock obsolescence	5	664	711	(6.6)	1,243	1,340	(7.2)
Fair value adjustment on financial liability	6	194	-	NM	194	-	NM
		997	1,198		1,616	1,839	
Other items							
Depreciation of plant and equipment	7	2,187	1,954	11.9	4,260	4,093	4.1
Depreciation of right-of-use assets	8	611	-	NM	1,141	-	NM
Amortisation of intangible assets		199	150	32.7	329	339	(2.9)
Interest expense		433	171	153.2	716	368	94.6

N.M. - Not meaningful

1. The income tax expense decreases as a result of overprovision of income tax in 2Q2018.

2. The foreign currency translation loss for foreign operations in 2Q2019 was mainly due to the movement of US Dollar ("USD") and Sterling Pound ("GBP") against Singapore Dollar ("S$"). The USD and GBP weakened 0.8% and 1.0% respectively in 2Q2019, from S$1.365/USD and S$1.732/GBP in December 2018 to S$1.354/USD and S$1.715/GBP in June 2019.

3. The foreign exchange gains mainly arose from the revaluation of USD, GBP and Euro ("EUR") denominated receivables. The GBP strengthened against EUR by 0.6% from EUR1.109/GBP in December 2018 to EUR1.115/GBP in June 2019, partially offset by the weakening of USD and GBP from S$1.365/USD and S$1.732/GBP in December 2018 to S$1.354/USD in June 2019 and S$1.715/GBP in June 2019.

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

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

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

7. The increase in depreciation of plant and equipment in 2Q2019 was mainly due to higher fixed asset addition during the period.

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

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

	Group		Company	
	30-Jun-19	31-Dec-18	30-Jun-19	31-Dec-18
	$'000	$'000	$'000	$'000
ASSETS				
Non-current assets				
Plant and equipment	19,211	22,054	17,936	20,584
Right-of-use assets	10,114	-	-	-
Investment in subsidiaries	-	-	44,368	44,345
Intangible assets	13,786	12,854	779	1,039
Finance lease receivables	973	1,304	-	-
Deferred tax assets	1,453	1,621	309	309
Total non-current assets	**45,537**	**37,833**	**63,392**	**66,277**
Current assets				
Inventories	21,642	21,816	-	-
Trade and other receivables	46,971	53,365	12,397	11,641
Prepayments	13,571	8,333	4	16
Finance lease receivables	505	854	-	-
Derivative financial asset (1)	-	1,043	-	-
Cash and bank balances	16,373	18,082	5,647	9,655
Total current assets	**99,062**	**103,493**	**18,048**	**21,312**
Total assets	**144,599**	**141,326**	**81,440**	**87,589**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	43,776	32,246	3,517	6,747
Deferred income	24,419	18,831	-	-
Loans and borrowings	10,289	9,993	3,007	3,802
Lease liabilities	2,245	-	-	-
Income tax payable	1,913	4,884	1,477	2,074
	82,642	**65,954**	**8,001**	**12,623**
Non-current liabilities				
Deferred tax liabilities	143	144	-	-
Loans and borrowings	7,799	4,094	2,707	4,094
Lease liabilities	8,116	-	-	-
Provisions	618	561	65	65
Deferred income	2,362	1,532	-	-
Total non-current liabilities	**19,038**	**6,331**	**2,772**	**4,159**
Total liabilities	**101,680**	**72,285**	**10,773**	**16,782**
Equity attributable to owners of the Company				
Share capital	71,703	71,703	71,703	71,703
Retained earnings	21,245	18,167	(1,152)	(972)
Other reserves	(50,029)	(20,829)	116	76
Equity attributable to owners of the Company	**42,919**	**69,041**	**70,667**	**70,807**
Non-controlling interests (2)	-	0	-	-
Total equity	**42,919**	**69,041**	**70,667**	**70,807**
Total equity and liabilities	**144,599**	**141,326**	**81,440**	**87,589**

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

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.

	As at 30-Jun-19			As at 31-Dec-18		
Group	**Secured $'000**	**Unsecured $'000**	**Total $'000**	**Secured $'000**	**Unsecured $'000**	**Total $'000**
Amount repayable in one year or less, on demand	6,213	4,076	**10,289**	4,892	5,101	**9,993**
Amount repayable after one year	5,092	2,707	**7,799**	-	4,094	**4,094**
	11,305	**6,783**	**18,088**	**4,892**	**9,195**	**14,087**
Borrowings comprise:						
Bank term loans	6,362	6,214	**12,576**	-	8,396	**8,396**
Short term trade facilities	4,940	-	**4,940**	4,621	-	**4,621**
Finance lease obligations	3	153	**156**	271	269	**540**
Bank overdrafts	-	296	**296**	-	469	**469**
Others	-	120	**120**	-	61	**61**
	11,305	**6,783**	**18,088**	**4,892**	**9,195**	**14,087**

Details of collaterals

The secured short-term trade facilities of S$4.9 million as at 30 June 2019 (31 December 2018: S$4.6 million) include trust receipts and trade receivables factoring. The finance lease obligations of S$0.2 million as at 30 June 2019 are secured by charges over the fixed assets with a carrying amount of S$0.6 million as at 30 June 2019 (31 December 2018: S$0.7 million).

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

	Group		Group	
	2Q2019 $'000	2Q2018 $'000	1H2019 $'000	1H2018 $'000
Cash flows from operating activities				
Profit before tax	**2,097**	**3,212**	**4,631**	**5,190**
Adjustments for:				
Depreciation of plant and equipment	2,187	1,954	4,260	4,093
Depreciation of right-of-use assets	611	-	1,141	-
Amortisation of intangible assets	199	150	329	339
Share based payment	29	110	40	214
Loss on disposal of plant and equipment	-	1	-	1
Loss on fair value of derivative financial liability	194	-	194	-
Interest income	(49)	(60)	(99)	(108)
Interest expense	433	171	716	368
Inventories written down	664	711	1,243	1,340
Allowance for trade receivables	139	486	179	498
Exchange differences	(300)	406	(420)	287
Operating cash flows before changes in working capital	**6,204**	**7,141**	**12,214**	**12,222**
Decrease/(increase) in inventories	130	(2,865)	(2,094)	(1,110)
Decrease/(increase) in trade and other receivables	78	(6,669)	4,032	(9,642)
Decrease in finance lease receivables	311	118	679	125
Increase in prepayment	(2,590)	(14)	(5,238)	(4,139)
(Decrease)/increase in deferred income	(887)	(739)	6,419	3,848
Increase/(decrease) in trade and other payables	238	7,730	11,894	3,713
Net cash generated from operations	**3,484**	**4,702**	**27,906**	**5,017**
Income taxes paid	(2,003)	(1,803)	(2,150)	(1,902)
Net cash generated from operating activities	**1,481**	**2,899**	**25,756**	**3,115**
Cash flows from investing activities				
Purchase of plant and equipment	(600)	(656)	(937)	(1,390)
Proceeds from disposal of plant and equipment	16	123	100	204
Placement of fixed deposits pledged for bank facilities	-	(1,453)	-	(1,453)
Placement of fixed deposits	(5,016)	-	(5,016)	-
Proceeds from maturity of fixed deposits	-	-	5,467	-
Interest received	49	60	99	108
Net cash used in investing activities	**(5,551)**	**(1,926)**	**(287)**	**(2,531)**
Cash flows from financing activities				
Proceeds from loans and borrowings	57,211	30,852	93,349	56,501
Repayments of loans and borrowings	(59,305)	(30,957)	(89,020)	(59,659)
Repayments of lease liabilities	(414)	-	(895)	-
Acquisition of non-controlling interest	-	-	(29,187)	-
Decrease in amounts due to holding company*	-	(116)	-	(550)
Interest paid	(433)	(171)	(716)	(368)
Net cash used in financing activities	**(2,941)**	**(392)**	**(26,469)**	**(4,076)**
Net (decrease)/increase in cash and cash equivalents	**(7,011)**	**581**	**(1,000)**	**(3,492)**
Effect of exchange rate changes on cash and cash equivalents	(79)	37	(76)	43
Cash and cash equivalents at beginning of the financial period	16,686	11,605	10,672	15,672
Cash and cash equivalents at end of the financial period	**9,596**	**12,223**	**9,596**	**12,223**
Cash and cash equivalents comprise the following:				
Cash and bank balances	16,373	17,032	16,373	17,032
Less: Bank overdraft	(296)	(595)	(296)	(595)
Less: Pledged deposits	(1,473)	(4,214)	(1,473)	(4,214)
Less: Fixed deposits	(5,008)	-	(5,008)	-
Cash and cash equivalents	**9,596**	**12,223**	**9,596**	**12,223**

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

1(d)(i) **A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Share Capital	Retained Earnings	Other Reserves	Equity attributable to owners of the Company	Non-controlling interests*	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2019	**71,703**	**18,167**	**(20,829)**	**69,041**	**0**	**69,041**
Total comprehensive income for the period	-	3,078	(384)	2,694	-	**2,694**
Share-based payment	-	-	40	40	-	**40**
Acquisition of non-controlling interests in a subsidiary	-	-	(28,856)	(28,856)	0	**(28,856)**
Balance as at 30 June 2019	**71,703**	**21,245**	**(50,029)**	**42,919**	**-**	**42,919**
Balance as at 1 January 2018 (as previously stated)	**70,938**	**15,973**	**(23,069)**	**63,842**	**0**	**63,842**
Effect of adoption of SFRS(I)	-	(3,063)	3,063	-	-	**-**
Effect of adoption of SFRS(I) 9	-	(80)	-	(80)	-	**(80)**
Balance as at 1 January 2018 (as restated)	**70,938**	**12,830**	**(20,006)**	**63,762**	**0**	**63,762**
Total comprehensive income for the period	-	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**	**15,075**	**(19,787)**	**66,375**	**0**	**66,375**

Company	Share Capital	Retained Earnings	Other Reserves	Non-controlling interests	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2019	**71,703**	**(972)**	**76**	-	**70,807**
Total comprehensive income for the period	-	(179)	-	-	**(179)**
Share-based payment	-	-	40	-	**40**
Balance as at 30 June 2019	**71,703**	**(1,151)**	**116**	**-**	**70,668**
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**

*: Less than S$1,000

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

A) Changes in share capital during the financial period

	Number of Ordinary Shares '000	Issued and Paid-up Share Capital S$'000
As at 1 January 2019	284,689	71,703
As at 30 June 2019	284,689	71,703

B) Share options – employee share option scheme

Between 1 January 2019 and 30 June 2019, the Company did not issue any shares under the employee share option scheme.

As at 30 June 2019, there are no outstanding options under the employee share option scheme (30 June 2018: NIL).

C) Performance share plan

Between 1 January 2019 and 30 June 2019, the Company did not grant any award under the performance share plan.

As at 30 June 2019, the number of outstanding awards granted under the performance share plan was 807,800 (30 June 2018: 4,076,400).

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

D) Treasury shares and subsidiary holdings

No treasury shares and subsidiary holdings were held by the Company as at 30 June 2019 and 30 June 2018.

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

The total number of issued shares as at 30 June 2019 was 284,689,000 (30 June 2018: 282,569,100). The Company has no treasury shares.

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

Not applicable as the Company does not have treasury shares.

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

Not applicable as the Company does not have subsidiary holdings.

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

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

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

Not applicable.

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

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

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

SFRS(I) 16 Leases

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

The Group adopted SFRS(I) 16 on 1 January 2019, using the modified retrospective approach, without restating prior years' information.

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

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

	$'000
Group statement of comprehensive income	
Decrease in admin expenses – rental expenses	1,178
Increase in admin expenses – depreciation of right-of-use assets	1,141
Increase in finance expenses on lease liabilities	280
Increase in EBITDA	243
Group balance sheet	
Increase in non-current asset – right-of-use assets	10,114
Increase in current liabilities – lease liabilities	2,245
Increase in non-current liabilities – lease liabilities	8,117

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	**2Q2019**	**2Q2018**	**1H2019**	**1H2018**
Basic earnings per share (cents)	0.47	0.44	1.08	0.79
Fully diluted earnings per share (cents)	0.46	0.43	1.08	0.78

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-19	**31-Dec-18**	**30-Jun-19**	**31-Dec-18**
Net asset value per share (cents)	15.08	24.25	24.82	24.87
Number of shares in issue ('000)	284,689	284,689	284,689	284,689

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

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

a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of performance – 2Q2019 vs 2Q2018

	2Q2019	**2Q2018**	**Change %**
Revenue ($'000)			
IT Distribution	37,431	47,215	(20.7)
Lifecycle Services	17,529	16,073	9.1
Total	**54,960**	**63,288**	(13.2)
Gross Profit ($'000)			
IT Distribution	11,222	13,306	(15.7)
Lifecycle Services	9,931	9,198	8.0
Total	**21,153**	**22,504**	(6.0)
Gross Profit Margin (%)			
IT Distribution	30.0	28.2	1.8
Lifecycle Services	56.7	57.2	(0.6)
Total	**38.5**	**35.6**	2.9

The Group's revenue decreased by 13.2% from S$63.3 million in 2Q2018 to S$55.0 million in 2Q2019, mainly due to a mega ITAD/hardware deal of approximately S$7.4 million revenue booked in 2Q2018. The IT Distribution business segment's revenue decreased by 20.7% from S$47.2 million in 2Q2018 to S$37.4 million in 2Q2019 as a result of lower revenue from the Asia Pacific and the North and South America (the "Americas"). The revenue from the Lifecycle Services business segment increased by 9.1% from S$16.1 million in 2Q2018 to S$17.5 million in 2Q2019, mainly attributable to the better performance from the Americas and Europe (including the UK), the Middle East and Africa ("EMEA").

The Group's overall gross profit decreased 6.0% from S$22.5 million in 2Q2018 to S$21.2 million in 2Q2019 as a result of lower revenue. The mega ITAD/hardware deal in 2Q2018 contributed approximately S$3.4 million gross profit. The Group's overall gross profit margin increased by 2.9 percentage points from 35.6% in 2Q2018 to 38.5% in 2Q2019. The gross profit margin in the IT Distribution business segment increased from 28.2% in 2Q2018 to 30.0% in 2Q2019. The gross profit margin in the Lifecycle Services business segment decreased from 57.2% in 2Q2018 to 56.7% in 2Q2019. The margin is still in line with the Group's expectation for Lifecycle Services business.

Selling expenses decreased by S$1.4 million, from S$5.6 million in 2Q2018 to S$4.2 million in 2Q2019 as a result of lower gross profit.

Administrative expenses increased by S$0.7 million, from S$13.1 million in 2Q2018 to S$13.9 million in 2Q2019, mainly due to increase in staff cost. Staff cost increased 5.5% or S$0.5 million year-on-year as a result of higher staff cost in the Americas and EMEA.

Finance cost increased by S$0.3 million as a result of the higher borrowings and the increase in interest expense for lease liabilities resulting from the adoption of SFRS(I) 16 where the Group recognised operating lease as a liability and separately recognised the interest expense on the lease liability.

Other charges decreased by S$0.2 million, from S$1.2 million in 2Q2018 to S$1.0 million in 2Q2019. The other charges recorded in 2Q2019 mainly arose from the provision for stock obsolescence. Inventory are carried by IT Distribution business segment and the procurement is sometimes opportunistic and trading in nature, the provision for stock obsolescence as a percentage of IT Distribution revenue is within the Group's acceptable range. The fair value adjustment on financial liability arose from the fair value assessment on the provision for the second tranche payment in relation to the acquisition of the 49% equity interest of Rockland.

As a result of the above, the Group recorded a pre-tax profit of S$2.1 million in 2Q2019 compared to S$3.2 million in 2Q2018.

The Group recorded an income tax expense of S$0.8 million in 2Q2019 compared to S$2.0 million in 2Q2018, mainly due to an over provision of income tax expense in 2Q2018. Profit after tax rose to S$1.3 million in 2Q2019 from S$1.2 million in 2Q2018.

Review of performance – 1H2019 vs 1H2018

	1H2019	**1H2018**	**Change %**
Revenue ($'000)			
IT Distribution	73,179	81,238	(9.9)
Lifecycle Services	35,598	31,542	12.9
Total	**108,777**	**112,780**	(3.5)
Gross Profit			
IT Distribution	21,075	21,708	(2.9)
Lifecycle Services	20,148	18,720	7.6
Total	**41,223**	**40,428**	2.0
Gross Profit Margin (%)			
IT Distribution	28.8	26.7	2.1
Lifecycle Services	56.6	59.3	(2.8)
Total	**37.9**	**35.8**	2.1

The Group's revenue decreased by 3.5% from S$112.8 million in 1H2018 to S$108.8 million in 1H2019. The IT Distribution business segment's revenue decreased by 9.9% from S$81.2 million in 1H2018 to S$73.2 million in 1H2019, as a result of lower contribution from the Asia Pacific. The revenue from the Lifecycle Services business segment increased by 12.9% from S$31.5 million in 1H2018 to S$35.6 million in 1H2019, mainly attributable to the better performance from all regions.

The Group's overall gross profit increased 2.0% from S$40.4 million in 1H2018 to S$41.2 million in 1H2019 as a result of the increase in margin from the IT Distribution and the revenue from Lifecycle Services. The Group's overall gross profit margin increased by 2.1 percentage points from 35.8% in 1H2018 to 37.9% in 1H2019. The gross profit margin in the IT Distribution business segment increased from 26.7% in 1H2018 to 28.8% in 1H2019. The gross profit margin in the Lifecycle Services business segment decreased from 59.3% in 1H2018 to 56.6% in 1H2019. The margin is still in line with the Group's expectation for Lifecycle Services business.

Selling expenses stayed relatively flat during the period.

Administrative expenses increased by S$1.0 million, from S$25.3 million in 1H2018 to S$26.3 million in 1H2019, mainly due to increase in staff cost. Staff costs increased 5.7% or S$1.0 million year-on-year as a result of higher staff cost in the Americas and EMEA.

Finance cost increased by S$0.3 million as a result of higher borrowings and the increase in interest expense for lease liabilities resulting from the adoption of SFRS(I) 16 where, the Group recognised operating lease as a liability and separately recognised the interest expense on the lease liability.

Other charges decreased by S$0.2 million, from S$1.8 million in 1H2018 to S$1.6 million in 1H2019. The other charges recorded in 1H2019 mainly arose from the provision for stock obsolescence of S$1.2 million, the allowance for bad debt of S$0.2 million and the fair value adjustment on financial liability of S$0.2 million.

As a result of the above, the Group recorded a pre-tax profit of S$4.6 million in 1H2019 compared to S$5.2 million in 1H2018.

The Group recorded an income tax expense of S$1.6 million in 1H2019 compared to S$2.9 million in 1H2018, mainly due to an over provision of income tax expense in 1H2018. Profit after tax rose to S$3.1 million in 1H2019 from S$2.2 million in 1H2018.

Review of financial position

Non-current assets

a) Plant and equipment decreased by S$2.8 million from S$22.1 million as at 31 December 2018 to S$19.2 million as at 30 June 2019. The decrease was mainly due to the depreciation charges of S$4.3 million, partially offset by the addition of maintenance parts equipment acquired to support the Group's third-party maintenance business.

   At the Company level, the plant and equipment decreased by S$2.6 million from S$20.6 million as at 31 December 2018 to S$17.9 million as at 30 June 2019. The decrease was mainly due to the depreciation charges of S$3.4 million, partially offset by the purchase of maintenance parts to support the Group's third-party maintenance business.

b) The right-of-use assets as at 30 June 2019 relates to leases of the office premises and warehousing facilities in various locations as a result of the adoption of SFRS(I) 16 Leases as mentioned in section 5 of this announcement.

c) Intangible assets increased by S$1.0 million, mainly due to the addition in an intellectual property when the Group acquire the remaining 49% interest of Rockland Congruity LLC. This was partially offset by the amortisation charge of S$0.3 million.

d) Finance lease receivables (both current and non-current) decreased by S$0.7 million to S$1.5 million as at 30 June 2019. The repayments were partially offset by the new leases secured during the period.

Current assets

e) Inventories decreased from S$21.8 million as at 31 December 2018 to S$21.6 million as at 30 June 2019.

f) Trade and other receivables decreased by S$6.4 million to S$47.0 million as at 30 June 2018. The decrease was mainly due to the set-off of approximately US$7.3 million receivables due from Congruity LLC and its affiliates against the first tranche payment of US$12 million for the Group's acquisition of 49% equity interests of Rockland.

g) Prepayments increased by S$5.2 million mainly due to higher advance payments made to suppliers.

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

Liabilities

i) Trade and other payables increased by S$11.5 million to S$43.8 million as at 30 June 2019 mainly due to the provision for the second tranche payment in relation to the acquisition of the 49% equity interest of Rockland.

j) Deferred income (both current and non-current) principally comprised of deferred maintenance revenue from signed maintenance contracts. Deferred income records an increase of S$6.4 million from S$20.4 million as at 31 December 2018 to S$26.8 million as at 30 June 2019 as new maintenance contracts are added.

k) The increase in loans and borrowings (both current and non-current) of S$4.0 million was mainly due to a new term loan taken up to acquire the 49% equity interest of Rockland. This increase was partially offset by the repayment of existing term loans, short-term trade facilities and finance leases.

l) The increase in lease liabilities (both current and non-current) of S$10.4 million relates to leases of the office premises and warehousing facilities in various locations as a result of the adoption of SFRS(I) 16 Leases as mentioned in section 5 of this announcement.

Net working capital position

The Group recorded a lower positive working capital of S$16.4 million as at 30 June 2019 compared to S$37.5 million as at 31 December 2018 mainly due to the acquisition of the 49% equity interest of Rockland, the adoption of SFRS(I) 16 and the accrual for second payment for the acquisition of the 49% equity interest of Rockland of S$12.9 million. With the adoption of SFRS(I) 16 Leases, there was a corresponding increase in current lease liabilities of approximately S$2.2 million. Excluding the impact on the adoption of SFRS(I)16, the working capital would have been S$18.7 million.

<u>Review of cash flows</u>

Net cash generated from operating activities in 1H2019 amounted to S$25.8 million as compared to S$3.1 million in 1H2018. The increase was mainly due to the increase deferred income of S$6.4 million and trade and other payables of S$11.9 million and the decrease in trade and other receivables of S$4.0 million and finance lease receivables of S$0.7 million. This was partially offset by the increase in inventory of S$2.1 million and prepayment of S$5.2 million.

Net cash used in investing activities amounted to S$0.3 million in 1H2019 as compared to S$2.5 million in 1H2018. This was mainly attributable to the placement of fixed deposit of S$5.0 million and purchase of plant and equipment of S$0.9 million, partially offset by the proceeds from maturity of fixed deposit of S$5.5 million.

Net cash used in financing activities in 1H2019 amounted to S$26.5 million as compared to S$4.1 million in 1H2018. The cash used in financing activities was primarily deployed on the acquisition of non-controlling interest of S$29.2 million, repayment of borrowings of S$89.0 million, lease liabilities of S$0.9 million and the interest paid of S$0.7 million, partially offset by the proceeds from borrowings of S$93.3 million.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders for the current reporting period.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Adopting cloud-first strategies has become increasingly prevalent among an increasing number of organisations, with the global public cloud service market estimated to grow around 81.6% to US$331.2 billion in 2022, from US$182.4 billion in 2018 according to Gartner[1]. Cloud system infrastructure services is expected to be the fastest growing segment, achieving near 151.1% growth from 2018 to reach US$76.6 billion in 2022.

As cloud adoption rises, demand for cloud-related services such as maintenance, migration, hardware resale and disposal of IT equipment hardware will increase accordingly. This puts Procurri in a prime position to seize the growing demand through the Group's global scale, end-to-end solutions, synergistic business units, and expansive network of partners. Such enlarged scale and upgraded capabilities have been strategically planned years prior, paving for a timely, deeper penetration into the Lifecycle Services and Data Centre Equipment space. Its bid to capture more of the market share is crystallised through Strategy Complete, a four-pronged approach undergirded by four pillars of progress. These comprise expanding the Group's markets and customers, cementing the brand's credibility, growing the higher-margin Lifecycle Services segment, as well as improving internal efficiencies and harnessing economies of scale.

To that end, the Group has secured partnerships with leading OEM-certified, pre-owned IT hardware platform PureWRX and enterprise cloud platform Nutanix. The Group has also completed the acquisition of Rockland to strengthen its global storage maintenance capabilities, bolstering the Group's higher-margin Lifecycle Services segment and solidifying its commercial reach in the lucrative enterprise storage market.

Barring any unforeseen circumstances, the Group is well-positioned in FY2019. Leveraging on its growing partnership network and a structurally better mix of businesses, the Group is on track to achieve its aim of assisting global businesses to maximise the productivity of their large and growing IT infrastructure, and accelerate its own growth momentum in the market.

[1] Gartner Forecasts Worldwide Public Cloud Revenue to Grow 17.5 Percent in 2019:
https://www.gartner.com/en/newsroom/press-releases/2019-04-02-gartner-forecasts-worldwide-public-cloud-revenue-to-g

11 If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividends have been declared or recommended for the current reporting period.

(b) Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Book closure date

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

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

13 If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) 1 January 2019 to 30 June 2019 S$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) 1 January 2019 to 30 June 2019 S$'000
Thomas Sean Murphy [1]	750[1]	-
Edward John Flachbarth [2]	600[2]	

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

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

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

14 Use of IPO proceeds

The Company received net proceeds (after deducting IPO expenses of approximately S$3.8 million) from the IPO of approximately S$34.8 million (the "Net Proceeds"). As at the date of this announcement, the Net Proceeds have been utilised as follows:

Use of Proceeds	**Estimated amount**	**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	20.1	17.8	2.3
Enhancement of infrastructure	1.9	1.9	-
Repayment of the DeClout loans	6.1	6.1	-
Working capital purposes	6.7	6.7	-
	34.8	32.5	2.3

15 Negative confirmation by the Board pursuant to Rule 705(5).

The directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the first quarter and three-month period ended 30 June 2019 to be false or misleading in any material aspect.

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

The Company confirms that it has procured the Undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD
Thomas Sean Murphy
Chairman and Global Chief Executive Officer
5 August 2019