

**PROCURRI CORPORATION LIMITED**  
**(Registration No: 201306969W)**  
**UNAUDITED SECOND QUARTER AND HALF YEAR 2016 FINANCIAL STATEMENTS ANNOUNCEMENT**  
**FOR THE PERIOD ENDED 30 JUNE 2016 (“1H2016”)**

**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.

|   | 2Q2016<br>\$'000 | 2Q2015<br>\$'000 | Change<br>% | 1H2016<br>\$'000 | 1H2015<br>\$'000 | Change<br>% |
|---|------------------|------------------|-------------|------------------|------------------|-------------|
| <b>Revenue</b>                              | <b>35,937</b>    | <b>32,679</b>    | 10.0        | <b>61,965</b>    | <b>56,485</b>    | 9.7         |
| Cost of Sales                               | (23,257)         | (22,928)         | 1.4         | (41,226)         | (39,631)         | 4.0         |
| <b>Gross Profit</b>                         | <b>12,680</b>    | <b>9,750</b>     | 30.1        | <b>20,739</b>    | <b>16,854</b>    | 23.1        |
| <b><u>Other items of income</u></b>         |                  |                  |             |                  |                  |             |
| Other income                                | 382              | 359              | 6.4         | 705              | 642              | 9.8         |
| <b><u>Other items of expense</u></b>        |                  |                  |             |                  |                  |             |
| Selling expenses                            | (2,417)          | (2,201)          | 9.8         | (4,420)          | (4,086)          | 8.2         |
| Administrative expenses                     | (5,913)          | (5,050)          | 17.1        | (11,761)         | (10,053)         | 17.0        |
| Finance costs                               | (163)            | (106)            | 53.8        | (353)            | (204)            | 72.9        |
| Other charges, net                          | (563)            | (205)            | 174.8       | (452)            | (349)            | 29.5        |
| <b>Profit before tax</b>                    | <b>4,007</b>     | <b>2,548</b>     | 57.3        | <b>4,459</b>     | <b>2,803</b>     | 59.0        |
| Income tax expense                          | (1,084)          | (667)            | 62.6        | (1,441)          | (806)            | 79.0        |
| <b>Profit, net of tax</b>                   | <b>2,924</b>     | <b>1,882</b>     | 55.4        | <b>3,017</b>     | <b>1,998</b>     | 51.0        |
| <b>Profit, net of tax, attributable to:</b> |                  |                  |             |                  |                  |             |
| Owners of the Company                       | <b>2,924</b>     | <b>1,926</b>     | 51.8        | <b>3,017</b>     | <b>1,998</b>     | 51.0        |
| Non-controlling interests                   | -                | (44)             | (100.0)     | -                | -                | N.M         |
| <b>Profit, net of tax</b>                   | <b>2,924</b>     | <b>1,882</b>     | 55.4        | <b>3,017</b>     | <b>1,998</b>     | 51.0        |

N.M. – Not meaningful

## Statement of comprehensive income

|  | 2Q2016<br>\$'000 | 2Q2015<br>\$'000 | Change<br>% | 1H2016<br>\$'000 | 1H2015<br>\$'000 | Change<br>% |
|--|------------------|------------------|-------------|------------------|------------------|-------------|
| <b>Other comprehensive income</b>  |                  |                  |             |                  |                  |             |
| Exchange differences on translating foreign operations, net of tax         | (1,024)          | (340)            | 201.2       | (2,280)          | (222)            | 926.5       |
| <b>Other comprehensive income for the period, net of tax</b>               | <b>(1,024)</b>   | <b>(340)</b>     | 201.2       | <b>(2,280)</b>   | <b>(222)</b>     | 926.5       |
| <b>Total comprehensive income for the period</b>                           | <b>1,899</b>     | <b>1,542</b>     | 23.2        | <b>737</b>       | <b>1,776</b>     | (58.5)      |
| Total comprehensive income attributable to shareholders                    | 1,899            | 1,586            | 19.7        | 737              | 1,776            | (58.5)      |
| Total comprehensive income attributable to non-controlling interests       | -                | (44)             | (100.0)     | -                | -                | N.M.        |
| <b>Total comprehensive income for the period</b>                           | <b>1,899</b>     | <b>1,542</b>     | 23.2        | <b>737</b>       | <b>1,776</b>     | (58.5)      |
| Profit before tax of the Group is arrived at after charging / (crediting): |                  |                  |             |                  |                  |             |
| Depreciation of plant and equipment  | 880              | 808              | 8.8         | 1,749            | 1,457            | 20.0        |
| Amortisation of intangible assets  | 189              | 59               | 219.2       | 378              | 118              | 219.2       |
| Allowance / (reversal) for trade receivables                               | -                | 51               | (100.0)     | (268)            | 137              | (295.5)     |
| Provision for stock obsolescence   | 520              | 115              | 353.0       | 637              | 273              | 133.2       |
| Foreign exchange loss / (gain)   | 47               | 59               | (19.3)      | 88               | (41)             | (311.5)     |
| Gain on disposal of plant and equipment, net                               | (5)              | (19)             | (74.8)      | (5)              | (19)             | (74.8)      |
| Interest income  | (26)             | (45)             | (42.8)      | (112)            | (63)             | 78.8        |
| Interest expense   | 163              | 106              | 53.5        | 353              | 204              | 72.7        |

### Notes

(1) The increase in exchange differences on translating foreign operations was mainly due to the deterioration of the exchange rate between sterling pounds against Singapore dollars. Sterling pounds weakened from S\$2.10/GBP in December 2015 to S\$1.94/GBP in March 2016 and S\$1.82/GBP in June 2016.

(2) The increase in depreciation of plant and equipment was mainly due to newly acquired plant and equipment.

(3) The increase in amortisation expenses was mainly due to addition of intangible assets (technical know-how) of \$2.6 million. On 28 January 2015, the Group acquired 51% shareholding interest in Procurri Asia Pacific Pte. Ltd. and, on 23 December 2015, the Group acquired technical know-how in relation to the provision of re-manufacturing services from the non-controlling shareholder.

(4) The increase in provision for stock obsolescence was due to the increase in the average age of the inventory.

(5) Interest expenses increased in line with more borrowings taken up to fund working capital.

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-16<br>\$'000 | 31-Dec-15<br>\$'000 | 30-Jun-16<br>\$'000 | 31-Dec-15<br>\$'000 |
| <b><u>Non-current assets</u></b>                          |                     |                     |                     |                     |
| Plant and equipment                                       | 9,410               | 9,022               | 2,326               | 739                 |
| Investments in subsidiaries                               | -                   | -                   | 42,369              | 35,369              |
| Intangible assets   | 15,000              | 16,901              | 2,338               | 2,598               |
| Finance lease receivables                                 | 406                 | 445                 | -                   | -                   |
| Deferred tax assets                                       | 392                 | 897                 | 223                 | 51                  |
| <b>Total non-current assets</b>                           | <b>25,208</b>       | <b>27,265</b>       | <b>47,256</b>       | <b>38,757</b>       |
| <b><u>Current assets</u></b>                              |                     |                     |                     |                     |
| Inventories   | 13,826              | 11,168              | -                   | -                   |
| Trade and other receivables                               | 29,932              | 35,374              | 5,982               | 6,421               |
| Finance lease receivables                                 | 496                 | 744                 | -                   | -                   |
| Prepayments   | 4,654               | 1,884               | 1                   | 167                 |
| Cash and bank balances                                    | 4,103               | 4,932               | 365                 | 1,573               |
| <b>Total current assets</b>                               | <b>53,011</b>       | <b>54,102</b>       | <b>6,348</b>        | <b>8,161</b>        |
| <b>Total assets</b>                                       | <b>78,220</b>       | <b>81,367</b>       | <b>53,604</b>       | <b>46,918</b>       |
| <b><u>Equity</u></b>                                      |                     |                     |                     |                     |
| Share capital   | 33,062              | 33,062              | 33,062              | 33,062              |
| Retained earnings   | 17,930              | 14,931              | 722                 | 374                 |
| Other reserves  | (22,931)            | (13,749)            | -                   | -                   |
| <b>Equity attributable to shareholders of the Company</b> | <b>28,061</b>       | <b>34,226</b>       | <b>33,784</b>       | <b>33,436</b>       |
| Non-controlling interests                                 | -                   | 98                  | -                   | -                   |
| <b>Total equity</b>                                       | <b>28,061</b>       | <b>34,324</b>       | <b>33,784</b>       | <b>33,436</b>       |
| <b><u>Non-current liabilities</u></b>                     |                     |                     |                     |                     |
| Deferred tax liabilities                                  | 267                 | 426                 | -                   | 3                   |
| Provisions  | 70                  | -                   | -                   | -                   |
| Loans and borrowings                                      | 5,772               | 4,653               | 4,569               | 5,175               |
| Deferred income   | 371                 | 70                  | -                   | -                   |
| <b>Total non-current liabilities</b>                      | <b>6,479</b>        | <b>5,149</b>        | <b>4,569</b>        | <b>5,178</b>        |
| <b><u>Current liabilities</u></b>                         |                     |                     |                     |                     |
| Trade and other payables                                  | 21,786              | 24,992              | 12,218              | 5,845               |
| Advanced billings   | 4,180               | 2,473               | -                   | -                   |
| Loans and borrowings                                      | 17,093              | 13,863              | 3,033               | 2,459               |
| Income tax payable  | 621                 | 566                 | -                   | -                   |
| <b>Total current liabilities</b>                          | <b>43,680</b>       | <b>41,894</b>       | <b>15,251</b>       | <b>8,304</b>        |
| <b>Total equity and liabilities</b>                       | <b>78,220</b>       | <b>81,367</b>       | <b>53,604</b>       | <b>46,918</b>       |

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-16   |                     |                 | As at 31-Dec-15   |                     |                 |
|---|-------------------|---------------------|-----------------|-------------------|---------------------|-----------------|
|   | Secured<br>\$'000 | Unsecured<br>\$'000 | Total<br>\$'000 | Secured<br>\$'000 | Unsecured<br>\$'000 | Total<br>\$'000 |
| Amount repayable in one year or less, on demand | 6,576             | 10,517              | <b>17,093</b>   | 3,705             | 10,158              | <b>13,863</b>   |
| Amount repayable after one year                 | 1,203             | 4,569               | <b>5,772</b>    | 55                | 4,598               | <b>4,653</b>    |
|   | <b>7,778</b>      | <b>15,086</b>       | <b>22,865</b>   | <b>3,760</b>      | <b>14,756</b>       | <b>18,516</b>   |
| Borrowings comprise of:                         |                   |                     |                 |                   |                     |                 |
| Bank term loans                                 | -                 | 10,080              | <b>10,080</b>   | -                 | 10,536              | <b>10,536</b>   |
| Short term trade facilities                     | 5,815             | 3,335               | <b>9,150</b>    | 3,297             | 3,452               | <b>6,749</b>    |
| Finance lease obligations                       | 1,964             | -                   | <b>1,964</b>    | 336               | -                   | <b>336</b>      |
| Bank overdrafts                                 | -                 | 1,279               | <b>1,279</b>    | 127               | 505                 | <b>632</b>      |
| Others  | -                 | 393                 | <b>393</b>      | -                 | 263                 | <b>263</b>      |
|   | <b>7,778</b>      | <b>15,086</b>       | <b>22,865</b>   | <b>3,760</b>      | <b>14,756</b>       | <b>18,516</b>   |

#### Details of collaterals

The secured short-term trade facilities of \$5.8 million (31 December 2015: \$3.3 million) include trust receipts and trade receivables factoring. The finance lease obligations of \$2.0 million as at 30 June 2016 are secured by charges over the inventories with a cost of \$2.3 million as at 30 June 2016 (31 December 2015: Nil). Bank overdrafts are guaranteed by certain directors of a subsidiary and / or secured by pledged deposits.

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.**

|   | 2Q2016<br>\$'000 | 2Q2015<br>\$'000 | 1H2016<br>\$'000 | 1H2015<br>\$'000 |
|---|------------------|------------------|------------------|------------------|
| <b><u>Cash flows from operating activities</u></b>                              |                  |                  |                  |                  |
| Profit before tax   | 4,007            | 2,548            | 4,459            | 2,803            |
| Depreciation of plant and equipment   | 880              | 808              | 1,749            | 1,457            |
| Amortisation of intangible assets   | 189              | 59               | 378              | 118              |
| Gain on disposal of plant and equipment, net                                    | (5)              | (19)             | (5)              | (19)             |
| Interest income   | (26)             | (45)             | (112)            | (63)             |
| Interest expense  | 163              | 106              | 353              | 204              |
| Effect of exchange rate changes   | 30               | (119)            | (880)            | 98               |
| <b>Operating cash flows before changes in working capital</b>                   | <b>5,238</b>     | <b>3,338</b>     | <b>5,942</b>     | <b>4,599</b>     |
| Increase in inventories   | (787)            | (810)            | (2,134)          | (1,420)          |
| Increase in trade and other receivables   | (2,630)          | (21,048)         | (3,433)          | (4,866)          |
| Decrease in finance lease receivables   | 231              | 56               | 288              | 72               |
| Increase in prepayments   | (1,660)          | (931)            | (2,770)          | (915)            |
| (Decrease) / increase in trade and other payables, and deferred income          | (2,147)          | 19,982           | (3,149)          | 1,785            |
| Increase in advanced billings   | 1                | 1,232            | 1,707            | 642              |
| <b>Net cash flows generated from / (used in) operations</b>                     | <b>(1,753)</b>   | <b>1,819</b>     | <b>(3,549)</b>   | <b>(104)</b>     |
| Income taxes paid, net  | (854)            | (401)            | (944)            | (1,116)          |
| <b>Net cash flows generated from / (used in) operating activities</b>           | <b>(2,607)</b>   | <b>1,418</b>     | <b>(4,493)</b>   | <b>(1,220)</b>   |
| <b><u>Cash flows from investing activities</u></b>                              |                  |                  |                  |                  |
| Purchase of plant and equipment   | (1,113)          | (1,061)          | (1,912)          | (1,690)          |
| Proceeds from disposal of plant and equipment                                   | 400              | 20               | 400              | 20               |
| Interest received   | 26               | 45               | 112              | 63               |
| <b>Net cash flows used in investing activities</b>                              | <b>(687)</b>     | <b>(996)</b>     | <b>(1,400)</b>   | <b>(1,607)</b>   |
| <b><u>Cash flows from financing activities</u></b>                              |                  |                  |                  |                  |
| Acquisition of non-controlling interest   | -                | -                | (7,000)          | -                |
| Contributions from non-controlling shareholders of a subsidiary, net            | -                | 44               | -                | -                |
| Release/(Placement) of fixed deposits pledged as collateral for bank facilities | 1                | 5                | (9)              | 6                |
| Proceeds from loans and borrowings  | 8,838            | 7,647            | 25,030           | 18,262           |
| Repayments of loans and borrowings  | (8,624)          | (7,595)          | (22,538)         | (19,710)         |
| Net movements in amounts due from / to related companies                        | 2,915            | 636              | 3,092            | 1,668            |
| Net movements in amount due from / to ultimate holding company                  | (1,054)          | 835              | 7,668            | 390              |
| Net movements in amount due to directors  | -                | -                | (1,428)          | -                |
| Interest paid   | (163)            | (106)            | (353)            | (204)            |
| <b>Net cash flows (used in) / generated from financing activities</b>           | <b>1,913</b>     | <b>1,465</b>     | <b>4,462</b>     | <b>412</b>       |
| <b>Net increase / (decrease) in cash and cash equivalents</b>                   | <b>(1,382)</b>   | <b>1,888</b>     | <b>(1,432)</b>   | <b>(2,415)</b>   |
| Effect of exchange rate changes on cash and cash equivalents                    | (4)              | (10)             | (51)             | 16               |
| Cash and cash equivalents, beginning balance                                    | 4,008            | 1,720            | 4,105            | 5,997            |
| <b>Cash and cash equivalents, ending balance</b>                                | <b>2,622</b>     | <b>3,598</b>     | <b>2,622</b>     | <b>3,598</b>     |
| <b>Cash and cash equivalents comprise the following:</b>                        |                  |                  |                  |                  |
| Cash and bank balances  | 4,103            | 4,167            | 4,103            | 4,167            |
| Less: Bank overdraft  | (1,279)          | (360)            | (1,279)          | (360)            |
| Less: Fixed deposits pledged as collateral for banking facilities               | (202)            | (209)            | (202)            | (209)            |
| <b>Cash and cash equivalents</b>  | <b>2,622</b>     | <b>3,598</b>     | <b>2,622</b>     | <b>3,598</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.

|  | Total<br>Equity<br>\$'000 | Attributable<br>to<br>Shareholders<br>\$'000 | Share<br>Capital<br>\$'000 | Other<br>Reserves<br>\$'000 | Retained<br>Earnings<br>\$'000 | Non-<br>Controlling<br>Interests<br>\$'000 |
|--|---------------------------|--|----------------------------|-----------------------------|--------------------------------|--|
| <b>Group</b>   |                           |  |                            |                             |                                |  |
| <b>At 1 January 2016</b>                                 | 34,324                    | 34,226                                       | 33,062                     | (13,749)                    | 14,913                         | 98   |
| Total comprehensive income for the period                | 737                       | 737  | -                          | (2,280)                     | 3,017                          | -  |
| Acquisition of non-controlling interests in a subsidiary | (7,000)                   | (6,902)                                      | -                          | (6,902)                     | -                              | (98)                                       |
| <b>At 30 June 2016</b>                                   | <b>28,061</b>             | <b>28,061</b>                                | <b>33,062</b>              | <b>(22,931)</b>             | <b>17,930</b>                  | <b>-</b>                                   |
| <b>At 1 January 2015</b>                                 | 30,784                    | 29,611                                       | 27,883                     | (4,412)                     | 6,141                          | 1,173                                      |
| Total comprehensive income for the period                | 1,776                     | 1,776  | -                          | (222)                       | 1,998                          | -  |
| <b>At 30 June 2015</b>                                   | <b>32,560</b>             | <b>31,387</b>                                | <b>27,883</b>              | <b>(4,635)</b>              | <b>8,139</b>                   | <b>1,173</b>                               |

|   | Total<br>Equity | Share<br>Capital | Other<br>Reserves | Retained<br>Earnings |
|---|-----------------|------------------|-------------------|----------------------|
| <b>Company</b>                            |                 |                  |                   |                      |
| <b>At 1 January 2016</b>                  | 33,611          | 33,062           | -                 | 549                  |
| Total comprehensive income for the period | 173             | -                | -                 | 173                  |
| <b>At 30 June 2016</b>                    | <b>33,784</b>   | <b>33,062</b>    | <b>-</b>          | <b>722</b>           |
| <b>At 1 January 2015</b>                  | 28,212          | 27,883           | -                 | 329                  |
| Total comprehensive income for the period | 121             | -                | -                 | 121                  |
| <b>At 30 June 2015</b>                    | <b>28,333</b>   | <b>27,883</b>    | <b>-</b>          | <b>450</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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.

**A) Changes in share capital during the financial period**

Not applicable. Between 1 January 2016 and 30 June 2016, the Company did not issue any ordinary shares.

**B) Shares options - employee share option scheme**

Not applicable. Between 1 January 2016 and 30 June 2016, the Company did not have an employee share option scheme.

**C) Performance share plan**

Not applicable. Between 1 January 2016 and 30 June 2016, the Company did not have a performance share plan.

**D) Treasury shares**

No treasury shares were held by the Company as at 30 June 2016 and 30 June 2015.

**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.**

On 29 June 2016, every one ordinary share in the issued and paid-up share capital of the Company was sub-divided into 6,500 ordinary shares. The total number of issued shares as at 30 June 2016 was 211,120,000 (31 December 2015: 32,480). The Company has no treasury shares.

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

Not applicable as the Company has no treasury shares.

**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 half year ended 30 June 2016 compared with those of the audited financial statements for the financial year ended 31 December 2015, except for the adoption of the Singapore Financial Reporting Standards ("SFRS"), including improvements to SFRS and Interpretations of FRS ("INT FRS") that are mandatory for financial years beginning on or after 1 January 2016, in the half year ended 30 June 2016, where applicable.

The adoption of these new / revised standards and interpretations applicable for the financial period beginning 1 January 2016 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 half year ended 30 June 2016.

**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.**

| <b>Group</b>                             | <b>2Q2016</b> | <b>2Q2015</b> | <b>1H2016</b> | <b>1H2015</b> |
|--|---------------|---------------|---------------|---------------|
| Basic earnings per share (cents)         | 1.38          | 0.95          | 1.43          | 1.01          |
| Weighted average number of shares ('000) | 211,120       | 197,860       | 211,120       | 197,860       |
| Fully diluted earnings per share (cents) | 1.38          | 0.95          | 1.43          | 1.01          |
| Weighted average number of shares ('000) | 211,120       | 197,860       | 211,120       | 197,860       |

Note: On 29 June 2016, every one ordinary share in the issued and paid-up share capital of the Company was sub-divided into 6,500 ordinary shares. The earnings per share for 2Q2015 and 1H2015 was computed based on weighted average number of shares sub-divided into 6,500 ordinary shares for comparison purpose.

**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-16   | 31-Dec-15   | 30-Jun-16   | 31-Dec-15   |
| Net asset value per share (cents) | 13.29       | 16.26       | 16.00       | 15.84       |
| Number of shares in issue         | 211,120,000 | 211,120,000 | 211,120,000 | 211,120,000 |

Note: On 29 June 2016, every one ordinary share in the issued and paid-up share capital of the Company was sub-divided into 6,500 ordinary shares. The net asset value per share for 2Q2015 and 1H2015 was computed based on total number of shares sub-divided into 6,500 ordinary shares for comparison purpose.

**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.

Procurri Corporation Limited is a leading global independent provider of Data Centre Equipment and Lifecycle Services. By offering a converged network that combines the technology, finance and logistics domains, the Group aims to be a global aggregator of enterprise hardware and services to its channels. Our core business is categorised into two business segments – IT Distribution and Lifecycle Services.

Review of performance - 2Q2016 vs 2Q2015

The Group's revenue increased 10.0% or \$3.3m from \$32.7m in 2Q2015 to \$35.9m in 2Q2016, with growth in both business segments. Revenue from IT Distribution business segment grew 3.8% or \$1.1m, from \$27.9m in 2Q2015 to \$29.0m in 2Q2016, mainly in Asia Pacific and North and South America ("Americas"). Revenue from Lifecycle Services grew 45.7% or \$2.2m, from \$4.8m in 2Q2015 to \$7.0m in 2Q2016, arising from better performance across Asia Pacific, Americas and Europe (including UK), Middle East and Africa ("EMEA").

The Group's overall gross profit margin improved 5.5 percentage points from 29.8% in 2Q2015 to 35.3% in 2Q2016. Gross profit margin in IT Distribution improved 4.5 percentage points, from 26.0% in 2Q2015 to 30.5% in 2Q2016, on higher sales to value-added resellers (VARs), recorded in Asia Pacific and EMEA. Gross profit margin in Lifecycle Services improved 3.1 percentage points from 52.1% in 2Q2015 to 55.2% in 2Q2016, mainly due to economies of scale with the increase in business volume.

Selling expenses increased by 9.8% or \$0.2m, from \$2.2m in 2Q2015 to \$2.4m in 2Q2016, mainly due to higher payout of sales commission in line with the growth in both business segments of the Group.

Administrative expenses increased by 17.1% or \$0.9 million, from \$5.0 million in 2Q2015 to \$5.9 million in 2Q2016, and attributable to the higher income from the Group's business operations. The increase was mainly from higher staff costs as a result of the increase in headcount to support the Group's expansion plans and amortisation expenses arising from intangible assets acquired during late FY2015, as well as other rental and operating expenses.

The Group's tax expense increased 62.6% or \$0.4m, from \$0.7m in 2Q2015 to \$1.1m in 2Q2016, mainly due to higher taxable income.



### Review of performance - 1H2016 vs 1H2015

The Group's revenue increased 9.7% or \$5.5m from \$56.5m in 1H2015 to \$62.0m in 1H2016, with strong growth coming from Lifecycle Services. Revenue from IT Distribution business segment grew 3.1% or \$1.5m from \$48.0m in 1H2015 to \$49.5m in 1H2016, while revenue from Lifecycle Services grew 47.4% or \$4.0m from \$8.5m in 1H2015 to \$12.5m in 1H2016, arising from better performance across Asia Pacific, Americas and EMEA

The Group's overall gross profit margin improved 3.7 percentage points, from 29.8% in 1H2015 to 33.5% in 1H2016. Gross profit margin from IT Distribution grew 2.1 percentage points, from 27.2% in 1H2015 to 29.3% in 1H2016, building on improved sales across Asia Pacific and EMEA. Gross profit margin from Lifecycle Services jumped 5.1 percentage points, from 45.0% in 1H2015 to 50.1% in 1H2016, as economies of scale were enhanced with the higher business volume.

The Group's selling expenses and administrative expenses rose in line with the Group's increase in business activities. Selling expenses were 8.2% or \$0.3m higher, from \$4.1m in 1H2015 to \$4.3m in 1H2016, mainly due to higher sales commission paid out. Administrative expenses grew 17.0% or \$1.7 million, from \$10.1 million in 1H2015 to \$11.8 million in 1H2016, largely from an increase in staff cost, amortisation expenses and rental and other operating expenses.

With the higher taxable income achieved by the Group, tax expense increased 78.9% or \$0.6m, from \$0.8m in 1H2015 to \$1.4m in 1H2016.

### Review of financial position

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

a) Plant and equipment increased by \$0.4 million or 4.3% to \$9.4m as at 30 June 2016 from \$9.0 million as at 31 December 2015, mainly due to the renovation cost of \$1.7 million of our office and warehouse premises at 29 Tai Seng Avenue, #01-02 and #02-01, Natural Cool Lifestyle Hub, Singapore 534119, purchase of maintenance parts and other plant and equipment of \$1.3 million, partially offset by disposal of \$0.9 million and depreciation charges of \$1.7 million.

b) At the Company's level, the \$7.0 million increase in investments in subsidiaries is related to the acquisition of the remaining 49% of issued share capital in a subsidiary, Procurri Asia Pacific Pte. Ltd.

c) Intangible assets decreased by \$1.9 million mainly due to the amortisation charges of \$0.4 million and translation losses of \$1.5 million on the closing balance of intangible assets as at 30 June 2016. The intangible assets were primarily denominated in foreign currencies.

d) The decrease in finance lease receivables (both current and non-current) of \$0.3 million was mainly due to prompt payment made by customers during the period.

e) Deferred tax assets decreased by \$0.5 million mainly due to utilisation of unutilised capital allowances brought forward from prior year.

#### **Current assets**

f) Inventories increased by \$2.7 million mainly to cater for higher sales.

g) Trade and other receivables decreased by \$5.4 million mainly due to decrease in amounts due from ultimate holding company and related companies of \$8.9 million, partially offset by increase in trade receivables and deposits of \$3.5 million, in line with the increased sales.

h) Prepayments increased by \$2.8 million mainly due to higher advance payments made to suppliers.

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

#### **Equity**

j) Other reserves' movement was mainly due to the premium paid for the acquisition of the remaining 49% of issued share capital in a subsidiary, Procurri Asia Pacific Pte. Ltd., and foreign exchange differences on translating overseas operations.

#### **Liabilities**

k) The increase in loans and borrowings (both current and non-current) of \$4.3 million was mainly due to higher hire purchase and trade receivables factoring.

l) The increase in advanced billings of \$1.7 million was mainly due to higher maintenance services payment billed in advance to our customers.

m) The decrease in trade and other payables of \$3.2 million was mainly due to payment made to suppliers.

## Net current position

The Group recorded positive working capital of \$9.3 million as of 30 June 2016 as compared to \$12.2 million as of 31 December 2015, primarily due to higher loans and borrowings for working capital purpose.

### Review of cash flows

Net cash used in operating activities in 2Q2016 amounted to \$2.6 million, compared to \$1.4 million in 2Q2015. Net cash used in operating activities increased from \$1.2 million in 1H2015 to \$4.5 million in 1H2016. This was mainly due to increase in working capital, in line with the increase in business activities.

Net cash used in investing activities was \$0.7 million in 2Q2016, compared to \$1.0 million in 2Q2015; and was \$1.4 million in 1H2016 compared to \$1.6 million in 1H2015. This was mainly due to additions of plant and equipment.

Net cash from financing activities was \$1.9 million in 2Q2016, compared to \$1.5 million in 2Q2015. Net cash from financing activities increased from \$0.4 million in 1H2015 to \$4.5 million in 1H2016. This was mainly due to net cash from related companies and ultimate holding company, partially offset by acquisition of non-controlling interest of \$7.0 million in 1H2016.

**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 had been previously disclosed to shareholders for the current reporting period.

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

The Group achieved a 51% or \$1.0 million increase in profit after tax, from \$2.0 million in 1H2015 to \$3.0 million in 1H2016.

Moving into the second half of the year, which typically sees stronger demand, we will focus on expanding our business in our core markets, including the United States, the United Kingdom, Singapore and Malaysia, through a combination of both organic growth and strategic mergers and acquisitions globally. The Group's office in Beijing, the People's Republic of China, is also on track to commence business operations.

In addition, the Group will maintain its disciplined cost regime in order to achieve optimal cost efficiencies and resources productivity. The Group will continue to build on its solid fundamentals while keeping an eye on the smooth execution of its growth strategies, to become the market leader in the industry.

In view of the current weak market sentiments, the Group might face some potential sluggishness in its business operations. The Group will continue to monitor economic and business developments closely and maintain regular dialogues with its customers, in a bid to mitigate any such adverse impact.

The Group has completed its Initial Public Offering ("IPO") in July 2016 and raised gross proceeds of \$38.6 million by issuing 68,880,000 new shares. \$6.1 million of the IPO proceeds have been used to repay loans to DeClout Limited. The IPO expenses will also be booked in the next reporting period, which would have an impact on the Group's overall financials.

**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)(i) Amount per share (cents)**

Not applicable.

**(b)(ii) Previous corresponding period (cents)**

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.**  
Not applicable. The initial public offering of shares and listing of Procurri Corporation Limited on the Main Board of the Singapore Exchange Securities Trading Limited was on 20 July 2016.
- 14 **Negative confirmation by the Board pursuant to Rule 705(5).**  
The directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the second quarter and half year ended 30 June 2016 to be false or misleading in any material aspect.
- 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.

**BY ORDER OF THE BOARD**

Thomas Sean Murphy  
Executive Director and Global Chief Executive Officer  
11 August 2016

*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.*