

PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED THIRD QUARTER AND NINE MONTHS 2016 FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2016 (“9M2016”)

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), NINE MONTHS 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.

	3Q2016 \$'000	3Q2015 \$'000	Change %	9M2016 \$'000	9M2015 \$'000	Change %
Revenue	31,849	33,543	(5.1)	93,814	90,027	4.2
Cost of sales	(20,397)	(22,547)	(9.5)	(61,623)	(62,178)	(0.9)
Gross Profit	11,452	10,996	4.1	32,191	27,849	15.6
<u>Other items of income</u>						
Other income	320	(13)	N.M.	1,025	629	63.0
<u>Other items of expense</u>						
Selling expenses	(2,513)	(3,047)	(17.5)	(6,933)	(7,133)	(2.8)
Administrative expenses	(6,904)	(5,519)	25.1	(18,665)	(15,572)	19.9
Finance costs	(178)	(154)	15.6	(531)	(358)	48.3
Other charges, net	(174)	138	N.M.	(625)	(210)	197.6
Profit before tax, before IPO expenses	2,003	2,401	(16.6)	6,462	5,205	24.1
IPO expenses	(2,181)	-	N.M.	(2,181)	-	N.M.
Profit before tax, after IPO expenses	(178)	2,401	N.M.	4,281	5,205	(17.8)
Income tax expense	-	(437)	N.M.	(1,442)	(1,243)	16.0
Profit/(Loss), net of tax	(178)	1,964	N.M.	2,839	3,962	(28.3)
Profit, net of tax, attributable to:						
Owners of the Company	(178)	1,964	N.M.	2,839	3,962	(28.3)
Profit/(Loss), net of tax	(178)	1,964	N.M.	2,839	3,962	(28.3)

N.M. – Not meaningful

Statement of comprehensive income

	3Q2016 \$'000	3Q2015 \$'000	Change %	9M2016 \$'000	9M2015 \$'000	Change %
Profit/(Loss), net of tax	(178)	1,964	N.M.	2,839	3,962	(28.3)
Other comprehensive income						
Exchange differences on translating foreign operations, net of tax	(365)	220	N.M.	(2,645)	2	N.M.
Other comprehensive income for the period, net of tax	(365)	220	N.M.	(2,645)	2	N.M.
Total comprehensive income for the period	(543)	2,184	N.M.	194	3,964	(95.1)
Total comprehensive income attributable to shareholders	(543)	2,184	N.M.	194	3,964	(95.1)
Total comprehensive income for the period	(543)	2,184	N.M.	194	3,964	(95.1)

Notes to Income Statement

	Note					
<u>Other Income</u>						
Interest income		18	22	(19.8)	68	85 (19.2)
<u>Other Charges, Net</u>						
Allowance / (reversal) for trade receivables		-	32	(100.0)	(268)	169 N.M.
Gain on disposal of plant and equipment, net		(37)	(272)	(86.4)	(42)	(290) (85.5)
Provision for stock obsolescence	1	497	160	210.9	1,133	433 161.9
Foreign exchange loss / (gain)	2	(286)	(58)	395.5	(198)	(102) 93.7
		<u>174</u>	<u>(138)</u>		<u>626</u>	<u>210</u>
<u>Other items</u>						
Depreciation of plant and equipment	3	947	793	19.4	2,695	2,250 19.8
Amortisation of intangible assets	4	189	59	219.2	567	178 219.2
Interest expense	5	178	154	15.3	531	358 48.0

N.M. – Not meaningful

Notes

(1) The increase in provision for stock obsolescence was due to the increase in the average age of the inventory
(2) 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, S\$1.82/GBP in June 2016 and S\$1.77/GBP in September 2016.

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

(4) 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.

(5) Interest expenses increased in line with more borrowings taken up for funding of 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-Sep-16 \$'000	31-Dec-15 \$'000	30-Sep-16 \$'000	31-Dec-15 \$'000
<u>Non-current assets</u>				
Plant and equipment	8,843	9,022	2,275	739
Investments in subsidiaries	-	-	42,418	35,369
Intangible assets	14,513	16,901	2,208	2,598
Finance lease receivables	1,964	445	-	-
Deferred tax assets	332	897	-	51
Total non-current assets	25,652	27,265	46,901	38,757
<u>Current assets</u>				
Inventories	13,697	11,168	-	-
Trade and other receivables	29,103	35,374	4,664	6,421
Finance lease receivables	1,559	744	-	-
Prepayments	5,334	1,884	70	167
Cash and bank balances	31,126	4,932	28,310	1,573
Income tax recoverable	265	-	-	-
Total current assets	81,084	54,102	33,044	8,161
Total assets	106,736	81,367	79,945	46,918
<u>Equity</u>				
Share capital	70,068	33,062	70,068	33,062
Retained earnings	17,752	14,913	(1,963)	374
Other reserves	(23,244)	(13,749)	52	-
Equity attributable to shareholders of the Company	64,576	34,226	68,157	33,436
Non-controlling interests	-	98	-	-
Total equity	64,576	34,324	68,157	33,436
<u>Non-current liabilities</u>				
Deferred tax liabilities	547	426	17	3
Provisions	70	-	-	-
Loans and borrowings	4,938	4,653	3,886	5,175
Deferred income	289	70	-	-
Total non-current liabilities	5,844	5,149	3,903	5,178
<u>Current liabilities</u>				
Trade and other payables	14,109	24,992	4,784	5,845
Advanced billings	4,849	2,473	-	-
Loans and borrowings	17,358	13,863	3,013	2,459
Income tax payable	-	566	88	-
Total current liabilities	36,316	41,894	7,885	8,304
Total equity and liabilities	106,736	81,367	79,945	46,918

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-Sep-16			As at 31-Dec-15		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Amount repayable in one year or less, on demand	9,865	7,493	17,358	3,705	10,158	13,863
Amount repayable after one year	1,052	3,886	4,938	55	4,598	4,653
	10,917	11,379	22,296	3,760	14,756	18,516
Borrowings comprise of:						
Bank term loans	-	9,360	9,360	-	10,536	10,536
Short term trade facilities	9,156	1,343	10,499	3,297	3,452	6,749
Finance lease obligations	1,761	-	1,761	336	-	336
Bank overdrafts	-	368	368	127	505	632
Others	-	308	308	-	263	263
	10,917	11,379	22,296	3,760	14,756	18,516

Details of collaterals

The secured short-term trade facilities of \$9.2 million (31 December 2015: \$3.3 million) include trust receipts and trade receivables factoring. The finance lease obligations of \$1.8 million as at 30 September 2016 are secured by charges over the inventories with a cost of \$2.3 million as at 30 September 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.**

	3Q2016 \$'000	3Q2015 \$'000	9M2016 \$'000	9M2015 \$'000
Cash flows from operating activities				
Profit before tax	(178)	2,401	4,281	5,205
Depreciation of plant and equipment	947	793	2,695	2,250
Amortisation of intangible assets	189	59	567	178
Share based payment	52	-	52	-
Gain on disposal of plant and equipment, net	(37)	(272)	(42)	(290)
Interest income	(18)	(22)	(68)	(85)
Interest expense	178	154	531	358
Effect of exchange rate changes	(184)	139	(1,081)	239
Operating cash flows before changes in working capital	949	3,252	6,935	7,855
Decrease/(Increase) in inventories	321	(2,488)	(1,853)	(3,908)
Decrease/(Increase) in trade and other receivables	1,024	17,059	(2,409)	12,192
Increase in finance lease receivables	(2,622)	(195)	(2,334)	(123)
(Increase)/Decrease in prepayments	(680)	538	(3,450)	(377)
Decrease in trade and other payables, and deferred income	(1,992)	(13,290)	(5,142)	(11,502)
Increase/(Decrease) in advanced billings	669	(240)	2,376	402
Net cash flows generated from / (used in) operations	(2,331)	4,636	(5,877)	4,539
Income taxes paid, net	(469)	(160)	(1,414)	(1,277)
Net cash flows generated from / (used in) operating activities	(2,800)	4,476	(7,291)	3,262
Cash flows from investing activities				
Purchase of plant and equipment	(408)	(691)	(2,319)	(2,381)
Proceeds from disposal of plant and equipment	-	5	440	25
Net outflows from acquisition of subsidiaries	-	(102)	-	(102)
Interest received	18	22	68	85
Net cash flows used in investing activities	(390)	(766)	(1,811)	(2,373)
Cash flows from financing activities				
Issuance of ordinary shares	-	3,656	-	3,656
Issuance of new shares pursuant to IPO	38,573	-	38,573	-
Share Issuance expenses	(1,567)	-	(1,567)	-
Acquisition of non-controlling interest	-	(7,893)	(7,000)	(7,893)
Release/(Placement) of fixed deposits pledged as collateral for bank facilities	-	20	(4)	26
Proceeds from loans and borrowings	17,384	17,401	42,415	35,663
Repayments of loans and borrowings	(16,896)	(10,201)	(39,435)	(29,912)
Net movements in amounts due from / to related companies	(37)	(1,836)	3,055	(167)
Net movements in amount due from / to ultimate holding company	(6,155)	(660)	1,513	(269)
Net movements in amount due to directors	-	-	(1,428)	-
Interest paid	(178)	(154)	(531)	(358)
Net cash flows generated from financing activities	31,124	333	35,591	746
Net increase in cash and cash equivalents	27,934	4,043	26,489	1,635
Effect of exchange rate changes on cash and cash equivalents	3	164	(35)	173
Cash and cash equivalents, beginning balance	2,622	3,598	4,105	5,997
Cash and cash equivalents, ending balance	30,559	7,805	30,559	7,805
Cash and cash equivalents comprise the following:				
Cash and bank balances	31,126	8,284	31,126	8,284
Less: Bank overdraft	(368)	(290)	(368)	(290)
Less: Fixed deposits pledged as collateral for banking facilities	(199)	(189)	(199)	(189)
Cash and cash equivalents	30,559	7,805	30,559	7,805

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 Equity	Attributable to Shareholders	Share Capital	Other Reserves	Retained Earnings	Non- Controlling Interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
At 1 January 2016	34,324	34,226	33,062	(13,749)	14,913	98
Total comprehensive income for the period	194	194	-	(2,645)	2,839	-
Acquisition of non-controlling interests of a subsidiary	(7,000)	(6,902)	-	(6,902)	-	(98)
Issuance of new shares pursuant to IPO	38,573	38,573	38,573	-	-	-
Share issue expenses	(1,567)	(1,567)	(1,567)	-	-	-
Share based payment	52	52	-	52	-	-
At 30 September 2016	64,576	64,576	70,068	(23,244)	17,752	-
At 1 January 2015	30,784	29,611	27,883	(4,413)	6,141	1,173
Total comprehensive income for the period	3,960	3,960	-	(2)	3,962	-
Issuance of ordinary shares	3,656	3,656	3,656	-	-	-
Acquisition of non-controlling interests of a subsidiary	(8,584)	(7,411)	1,523	(8,934)	-	(1,173)
Acquisition of subsidiaries	98	-	-	-	-	98
At 30 September 2015	29,914	29,816	33,062	(13,349)	10,103	98
Company						
	Total Equity	Share Capital	Other Reserves	Retained Earnings		
	\$'000	\$'000	\$'000	\$'000		
At 1 January 2016	33,611	33,062	-	549		
Total comprehensive income for the period	(2,512)	-	-	(2,512)		
Issuance of new shares pursuant to IPO	38,573	38,573	-	-		
Share issue expenses	(1,567)	(1,567)	-	-		
Share based payment	52	-	52	-		
At 30 September 2016	68,157	70,068	52	(1,963)		
At 1 January 2015	28,212	27,883	-	329		
Total comprehensive income for the period	31	-	-	31		
Issuance of ordinary shares	3,656	3,656	-	-		
Acquisition of non-controlling interests of a subsidiary	1,523	1,523	-	-		
At 30 September 2015	33,422	33,062	-	360		

- 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

	Number of Ordinary Shares	Issued and Paid-up Share Capital
	'000	'000
At 1 January 2016	32	33,062
Sub-division of shares	211,120	33,062
Issuance of new shares pursuant to the IPO	68,880	38,573
Share issue expenses	-	(1,567)
At 30 September 2016	280,000	70,068

B) Shares options - employee share option scheme

Between 1 January 2016 and 30 September 2016, the Company did not issue any share under the employee share option scheme.

C) Performance share plan

As at 30 September 2016, the number of outstanding awards granted under the performance share plan was 1,747,000 (30 September 2015: Nil).

The shares to be issued pursuant to the awards shall be released to the respective participants after the respective performance periods

D) Treasury shares

No treasury shares were held by the Company as at 30 September 2016 and 30 September 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.**

The total number of issued shares as at 30 September 2016 was 280,000,000 (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 nine-month period ended 30 September 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 nine-month period ended 30 September 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 nine-month period ended 30 September 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.

Earnings per share (after IPO expenses)	3Q2016	3Q2015	9M2016	9M2015
Basic earnings per share (cents)	(0.08)	0.99	1.24	1.99
Weighted average number of shares ('000)	229,286	199,226	229,286	199,226
Fully diluted earnings per share (cents)	(0.08)	0.99	1.24	1.99
Weighted average number of shares ('000)	229,472	199,226	229,472	199,226
Earnings per share (before IPO expenses)	3Q2016	3Q2015	9M2016	9M2015
Basic earnings per share (cents)	0.87	0.99	2.19	1.99
Weighted average number of shares ('000)	229,286	199,226	229,286	199,226
Fully diluted earnings per share (cents)	0.87	0.99	2.19	1.99
Weighted average number of shares ('000)	229,472	199,226	229,472	199,226

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 3Q2015 and 9M2015 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-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
Net asset value per share (cents)	23.06	16.26	24.26	15.84
Number of shares in issue ('000)	280,000	211,120	280,000	211,120

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 financial year ended 31 December 2015 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.

Review of performance - 3Q2016 vs 3Q2015

	3Q2016	3Q2015	Change %
Revenue (\$'000)			
IT Distribution	26,230	28,274	(7.2)
Lifecycle Services	5,619	5,269	6.6
Total	31,849	33,543	(5.1)
Gross Profit (\$'000)			
IT Distribution	8,579	8,019	7.0
Lifecycle Services	2,873	2,977	(3.5)
Total	11,452	10,996	4.1
Gross Profit Margin (%)			
IT Distribution	32.7	28.4	4.3
Lifecycle Services	51.1	56.5	(5.4)
Total	36.0	32.8	3.2

The Group's revenue decreased 5.1% or \$1.7 million from \$33.5 million in 3Q2015 to \$31.8 million in 3Q2016. Revenue from IT Distribution business segment declined by 7.2% or \$2.1 million, from \$28.3 million in 3Q2015 to \$26.2 million in 3Q2016, mainly in Europe (including the UK), Middle East and Africa ("EMEA") and North and South America ("Americas"). The decrease was partially offset by increase in revenue from Lifecycle Services, which grew 6.6% or \$0.3 million, from \$5.3 million in 3Q2015 to \$5.6 million in 3Q2016, arising from better performance in Asia and EMEA. Had GBP not nose-dived by 17.4% against SGD due to Brexit, revenue for 3Q2016 would have been higher by \$2.0 million, and the Group revenue would have increased 1.0% or \$0.4 million.

The Group's overall gross profit margin improved 3.2 percentage points from 32.8% in 3Q2015 to 36.0% in 3Q2016. Gross profit margin in IT Distribution improved 4.3 percentage points, from 28.4% in 3Q2015 to 32.7% in 3Q2016, on higher sales to value-added resellers, recorded in Asia Pacific. Gross profit margin in Lifecycle Services weakened 5.4 percentage points from 56.5% in 3Q2015 to 51.1% in 3Q2016, mainly due to increased cost of sales as the Group invested in growing the market share.

Selling expenses decreased by 17.5% or \$0.5 million, from \$3.0 million in 3Q2015 to \$2.5 million in 3Q2016, mainly due to lower payout of sales commission in line with the lower revenue of the Group.

Administrative expenses increased by 25.1% or \$1.4 million, from \$5.5 million in 3Q2015 to \$6.9 million in 3Q2016, mainly due to increase in staff costs, depreciation and amortisation expenses, and other operating expenses. Staff costs increased 14.0% or \$0.5 million as a result of the increase in headcount, primarily in Asia, to support the Group's expansion plans, both geographically and across the IT Distribution and Lifecycle Services business segments. Amortisation expenses arising from intangible assets acquired during late FY2015, rental and operating expenses incurred formed the rest of the increase in the administrative expenses.

The Group's tax expense in 3Q2016 was nil, compared with \$0.4 million in 3Q2015.

The Group recorded a loss after tax of \$0.2m for 3Q2016 as compared to profit after tax of \$2.0m for 3Q2015, primarily due to the IPO expenses of \$2.2m incurred during the period. Excluding the non-recurring IPO expenses, profit after tax grew 2.0% from 3Q2015 to \$2.0m in 3Q2016.

Review of performance - 9M2016 vs 9M2015

	9M2016	9M2015	Change %
Revenue (\$'000)			
IT Distribution	75,718	76,296	(0.8)
Lifecycle Services	18,096	13,732	31.8
Total	93,814	90,028	4.2
Gross Profit (\$'000)			
IT Distribution	23,065	21,066	9.5
Lifecycle Services	9,127	6,784	34.5
Total	32,192	27,850	15.6
Gross Profit Margin (%)			
IT Distribution	30.5	27.6	2.9
Lifecycle Services	50.4	49.4	1.0
Total	34.3	30.9	3.4

The Group's revenue increased 4.2% or \$3.8 million from \$90.0 million in 9M2015 to \$93.8 million in 9M2016, with strong growth coming from Lifecycle Services across the 3 regions, from S\$13.7 million in 9M2015 to S\$18.1 million in 9M2016, a growth of 31.8% or S\$4.4m. Revenue from IT Distribution business segment experienced a slight decline of 0.8% or \$0.6 million from \$76.3 million in 9M2015 to \$75.7 million in 9M2016. Had GBP not devalued by 8.9% against SGD due to Brexit, revenue for 9M2016 would have been higher by \$2.8 million, and the Group revenue would have increased 7.3% or \$6.6 million.

The Group's overall gross profit margin improved 3.4 percentage points, from 30.9% in 9M2015 to 34.3% in 9M2016. Gross profit margin from IT Distribution grew 2.9 percentage points, from 27.6% in 9M2015 to 30.5% in 9M2016, building on better margin across Asia Pacific and EMEA. Gross profit margin from Lifecycle Services increased 1.0 percentage points, from 49.4% in 9M2015 to 50.4% in 9M2016, mainly due to economies of scale from the higher business volume.

Selling expenses were 2.8% or \$0.2 million lower, from \$7.1 million in 9M2015 to \$6.9 million in 9M2016, mainly due to lower sales commission paid out.

Administrative expenses grew 19.9% or \$3.1 million, from \$15.6 million in 9M2015 to \$18.7 million in 9M2016, mainly from increases in staff cost, amortisation expenses, rental and other operating expenses.

With the higher taxable income achieved by the Group, tax expense increased 16.0% or \$0.2 million, from S\$1.2 million in 9M2015 to \$1.4 million in 9M2016.

Profit after tax decreased 28.3% or \$1.1m from \$3.9m in 9M2015 to \$2.8m in 9M2016. Excluding non-recurring IPO expenses of \$2.2m, profit after tax grew \$1.1m or 26.7% to \$5.0m in 9M2016.

Review of financial position

Non-current assets

a) Plant and equipment decreased by \$0.2 million or 2.0% to \$8.8 million as at 30 September 2016 from \$9.0 million as at 31 December 2015 mainly due to depreciation charges of \$2.7 million and disposal of \$1.1 million, partially offset by additions for renovation of \$1.8 million of our office and warehouse premises at 29 Tai Seng Avenue, #01-02 and #02-01, Natural Cool Lifestyle Hub, Singapore 534119, maintenance parts and leased equipment and other plant and equipment of \$1.8 million.

b) At the Company 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 \$2.4 million mainly due to the amortisation charges of \$0.6 million and translation losses of \$1.8 million on the closing balance of intangible assets as at 30 September 2016. The intangible assets were primarily denominated in foreign currencies.

d) The increase in finance lease receivables (both current and non-current) of \$2.3 million was mainly due to new leases secured during the period.

e) Deferred tax assets decreased by \$0.6 million mainly due to utilisation of unutilised capital allowances brought forward from prior year.

Current assets

f) Inventories went up by \$2.5 million mainly to cater for increased sales demand.

g) Trade and other receivables decreased by \$6.3 million mainly due to decrease in amounts due from DeClout Limited, the controlling shareholder of the Company, and related companies of \$8.7 million. This was partially offset by increase in trade receivables of \$2.4 million as a result of higher revenue.

h) Prepayments increased by \$3.5 million mainly due to larger 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 \$3.8 million was mainly due to higher hire purchase, trust receipts and trade receivables factoring, and was partially offset by repayment of term loan.

l) The increase in advanced billings of \$2.4 million was mainly due to higher maintenance services billed in advance to our customers.

m) The decrease in trade and other payables of \$10.9 million was mainly due to payment made to suppliers and repayment of loan due to DeClout Limited, the controlling shareholder of the Company.

Net current position

The Group recorded positive working capital of \$44.8 million as of 30 September 2016 as compared to \$12.2 million as of 31 December 2015.

Review of cash flows

Net cash used in operating activities in 3Q2016 amounted to \$2.8 million as compared to net cash generated from operating activities of \$4.5 million in 3Q2015. Net cash used in operating activities in 9M2016 amounted to \$7.3 million as compared to net cash generated from operating activities of \$3.3 million in 9M2015. Both of the aforementioned effects were mainly due to increase in working capital, which is in line with the increase in business activities.

Net cash used in investing activities was \$0.4 million in 3Q2016, compared to \$0.8 million in 3Q2015; and was \$1.8 million in 9M2016 compared to \$2.4 million in 9M2015. This was mainly due to additions of plant and equipment.

Net cash from financing activities was \$31.1 million in 3Q2016, compared to \$0.3 million in 3Q2015, primarily due to net proceeds from issuance of new shares pursuant to the Company's IPO on 20 July 2016 and net proceeds from loans and borrowings. They were partially offset by repayment of loans of \$6.1 million due to DeClout Limited, the controlling shareholder of the Company. Net cash from financing activities increased from \$0.7 million in 9M2015 to \$35.6 million in 9M2016. This was mainly due to net cash from related companies and net proceeds from issuance of new shares pursuant to the IPO, and was partially offset by acquisition of non-controlling interest of \$7.0 million in 9M2016.

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 maintains a cautiously optimistic outlook for its fourth quarter performance, which typically experiences stronger sales demand, in view of the current subdued market sentiments.

On 7 November 2016, the Group completed its first acquisition post-listing of EAF Supply Chain Holdings Limited, an on-demand provider of information technology spare parts. This acquisition is a strategic fit for the Group's Independent Maintenance Services segment, which aligns back to its strategy to ramp up contribution from the higher-margin Lifecycle Services, especially in the UK. At the same time, the enlarged customer base from this acquisition will also create new cross-selling opportunities for the Group.

The Group will continue to pursue M&A opportunities to reinforce its recurring revenue stream and achieve income resilience.

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.

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$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 \$100,000)
	20 Jul 2016 to 30 Sep 2016	20 Jul 2016 to 30 Sep 2016
	\$'000	\$'000
<u>Purchases of IT Hardware and Equipment and Lifecycle Services from the DeClout Group</u>		
Acclivis Technologies and Solutions Pte.	N.A	620
Pacific Internet (S) Pte. Ltd.	N.A	1,321

14 Use of IPO proceeds

The Company received net proceeds (after deducting IPO expenses of approximately \$3.8 million) from the IPO of approximately \$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) \$ million	Net Proceeds utilised as at the date of this announcement \$ million	Balance of Net Proceeds as at the date of this announcement \$ million
Merger and acquisitions, joint ventures and partnerships	17.0	(2.6) ⁽¹⁾	14.4
Enhancement of infrastructure	5.0	-	5.0
Repayment of the DeClout loans	6.1	(6.1)	0.0
Working capital purposes	6.7 ⁽²⁾	(2.0) ⁽³⁾	4.7
	34.8	(10.7)	24.1

Notes:

- (1): To fund the acquisition of the entire issued and paid-up share capital of EAF Supply Chain Holdings Limited by Procurri UK Limited.
- (2): The allocation for the use of proceeds for working capital purposes was disclosed in the Prospectus to be \$6.5 million. However, due to an over-estimation of the Listing expenses, the actual amount allocated to working capital purposes increases to S\$6.7 million.
- (3): Comprising (a) S\$0.7 million to fund the capital injection into Procurri (Beijing) Co., Ltd, (b) S\$0.5 million to meet trade expenses and (c) S\$0.8 million to meet operating and other expenses.

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

The directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the third quarter and nine-month period ended 30 September 2016 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
Executive Director and Global Chief Executive Officer
10 November 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.