PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 JUNE 2020 ("1H2020")

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	1H2020 $'000	1H2019 $'000	Change %
Revenue		110,504	108,777	1.6
Cost of sales*		(77,557)	(69,545)	11.5
Gross profit		**32,947**	**39,232**	(16.0)
Other items of income				
Other income		5,520	568	871.8
Other credits		836	147	468.7
Other items of expense				
Selling expenses		(9,763)	(8,703)	12.2
Administrative expenses		(24,556)	(26,153)	(6.1)
Finance costs		(652)	(716)	(8.9)
Other charges		(300)	(373)	(19.6)
Profit before tax		**4,032**	**4,002**	0.7
Income tax expense		(1,378)	(1,384)	(0.4)
Profit, net of tax		**2,654**	**2,618**	1.4
Profit attributable to:				
Owners of the Company		2,654	2,618	1.4
Profit for the period		**2,654**	**2,618**	1.4
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation	1	(560)	(384)	45.8
Other comprehensive income for the period		**(560)**	**(384)**	45.8
Total comprehensive income for the period		**2,094**	**2,234**	(6.3)
Profit for the period attributable to:				
Owners of the Company		2,654	2,618	1.4
Comprehensive income attributable to:				
Owners of the Company		**2,094**	**2,234**	(6.3)

Statement of comprehensive income

	Note	1H2020 $'000	1H2019 $'000	Change %
Cost of sales				
Cost of sales		74,884	68,302	9.6
Allowance for stock obsolescence	2	2,673	1,243	115.0
		77,557	69,545	11.5
Other income				
Interest income		46	99	(53.5)
Others	3	5,474	469	N.M.
		5,520	568	871.8
Other credits				
Fair value adjustment on financial liability	4	188	-	N.M.
Foreign exchange gain	5	648	147	340.8
		836	147	468.7
Other charges				
Allowance for trade receivables	6	300	179	67.6
Fair value adjustment on financial liability	4	-	194	N.M.
		300	373	(19.6)
Other items				
Depreciation of plant and equipment	7	3,174	4,260	(25.5)
Depreciation of right-of-use assets		1,363	1,141	19.5
Amortisation of intangible assets		401	329	21.9
Interest expense		652	716	(8.9)

N.M. - Not meaningful

* Allowance for stock obsolescence for 1H2019 was reclassed from other charges to cost of sales for comparative purposes.

1. The foreign currency translation loss for foreign operations in 1H2020 was mainly due to the movement of Sterling Pound ("GBP") against Singapore Dollar ("S$"). The GBP weakened 3.1% in 1H2020, from S$1.769/GBP in December 2019 to S$1.714/GBP in June 2020.

2. 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 and the write down of maintenance parts previously booked as fixed assets.

3. The increase in other income was mainly due to the various government support programs relating to Covid-19 pandemic and included the recognition of the loans forgiven under the Paycheck Protection Program (the "PPP"). The PPP, is established by the United States Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to provide financial assistance to businesses to keep their workforce employed during the Coronavirus Disease 2019 ("COVID-19") crisis. The loans can potentially be forgiven when certain criteria being met.

4. 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").

5. The foreign exchange gains in 1H2020 mainly arose from the revaluation of USD denominated receivables. The USD against SGD strengthened by 2.7%, from USD1.357/SGD in December 2019 to USD1.394/SGD in June 2020.

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

7. The decrease in depreciation of plant and equipment in 1H2020 was mainly due to the reclassification of maintenance parts from fixed asset to inventories in 2H2019.

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-20 $'000	31-Dec-19 $'000	30-Jun-20 $'000	31-Dec-19 $'000
ASSETS				
Non-current assets				
Plant and equipment	11,065	13,005	9,606	11,808
Right-of-use assets	8,253	9,508	414	523
Investment in subsidiaries	-	-	44,609	44,387
Intangible assets	13,326	13,687	260	520
Finance lease receivables	677	864	-	-
Deferred tax assets	4,646	4,275	749	749
Total non-current assets	**37,967**	**41,339**	**55,638**	**57,987**
Current assets				
Inventories	25,577	26,354	-	-
Trade and other receivables	33,882	51,214	18,952	17,247
Prepayments	10,015	13,375	4	20
Finance lease receivables	371	500	-	-
Cash and bank balances	19,471	17,132	6,123	5,847
Total current assets	**89,316**	**108,575**	**25,079**	**23,114**
Total assets	**127,283**	**149,914**	**80,717**	**81,101**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	25,208	46,680	2,482	4,620
Deferred income	22,676	25,386	-	-
Loans and borrowings	10,970	11,302	2,786	2,694
Lease liabilities	2,542	2,411	217	214
Income tax payable	1,737	1,580	1,347	1,133
	63,133	**87,359**	**6,832**	**8,661**
Non-current liabilities				
Deferred tax liabilities	110	63	-	-
Loans and borrowings	3,601	5,463	-	1,347
Lease liabilities	6,541	7,826	204	313
Provisions	723	681	65	65
Deferred income	1,673	1,822	-	-
Total non-current liabilities	**12,648**	**15,855**	**269**	**1,725**
Total liabilities	**75,781**	**103,214**	**7,101**	**10,386**
Equity attributable to owners of the Company				
Share capital	74,541	71,703	74,541	71,703
Retained earnings	24,596	21,942	(991)	(1,184)
Other reserves	(47,635)	(46,945)	66	196
Equity attributable to owners of the Company	**51,502**	**46,700**	**73,616**	**70,715**
Total equity	**51,502**	**46,700**	**73,616**	**70,715**
Total equity and liabilities	**127,283**	**149,914**	**80,717**	**81,101**

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

Group	As at 30-Jun-20			As at 31-Dec-19		
	Secured	Unsecured	Total	Secured	Unsecured	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Amount repayable in one year or less, on demand	7,868	3,102	**10,970**	8,460	2,842	**11,302**
Amount repayable after one year	3,601	-	**3,601**	4,116	1,347	**5,463**
	11,469	**3,102**	**14,571**	**12,576**	**4,189**	**16,765**
Borrowings comprise:						
Bank term loans	3,601	2,786	**6,387**	5,382	4,042	**9,424**
Short term trade facilities	7,868	-	**7,868**	7,194	-	**7,194**
Finance lease obligations	-	70	**70**	-	72	**72**
Bank overdrafts	-	214	**214**	-	-	**-**
Others	-	32	**32**	-	75	**75**
	11,469	**3,102**	**14,571**	**12,576**	**4,189**	**16,765**

Details of collaterals

The secured short-term trade facilities of S$7.9 million as at 30 June 2020 (31 December 2019: S$7.2 million) include trust receipts and trade receivables factoring. The finance lease obligations of S$0.1 million as at 30 June 2020 are secured by charges over the fixed assets with a carrying amount of S$0.4 million as at 30 June 2020 (31 December 2019: S$0.5 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	
	1H2020 $'000	1H2019 $'000
Cash flows from operating activities		
Profit before tax	**4,032**	**4,002**
Adjustments for:		
Depreciation of plant and equipment	3,174	4,260
Depreciation of right-of-use assets	1,363	1,141
Amortisation of intangible assets	401	329
Share based payment	194	40
Loss on fair value of derivative financial liability	(188)	194
Interest income	(46)	(99)
Interest expense	652	716
Inventories written down	2,673	1,243
Allowance for trade receivables	300	179
Exchange differences	(390)	(419)
Operating cash flows before changes in working capital	**12,165**	**11,586**
Increase in inventories	(2,104)	(2,094)
Decrease in trade and other receivables	16,162	4,032
Decrease in finance lease receivables	316	679
Decrease/(increase) in prepayment	3,360	(5,238)
(Decrease)/increase in deferred income	(2,859)	6,419
(Decrease)/increase in trade and other payables	(7,517)	12,522
Net cash generated from operations	**19,523**	**27,906**
Income taxes paid	(595)	(2,150)
Net cash generated from operating activities	**18,928**	**25,756**
Cash flows from investing activities		
Purchase of plant and equipment	(989)	(937)
Proceeds from disposal of plant and equipment	-	100
Placement of fixed deposits	-	(5,016)
Proceeds from maturity of fixed deposits	4,042	5,467
Interest received	46	99
Net cash generated from/(used in) investing activities	**3,099**	**(287)**
Cash flows from financing activities		
Share issuance expenses	(30)	-
Proceeds from loans and borrowings	74,862	93,349
Repayments of loans and borrowings	(77,791)	(89,020)
Repayments of lease liabilities	(1,270)	(895)
Acquisition of non-controlling interest	(11,182)	(29,187)
Interest paid	(652)	(716)
Net cash used in financing activities	**(16,063)**	**(26,469)**
Net increase/(decrease) in cash and cash equivalents	**5,964**	**(1,000)**
Effect of exchange rate changes on cash and cash equivalents	158	(76)
Cash and cash equivalents at beginning of the financial period	11,623	10,672
Cash and cash equivalents at end of the financial period	**17,745**	**9,596**
Cash and cash equivalents comprise the following:		
Cash and bank balances	19,471	16,373
Less: Bank overdraft	(214)	(296)
Less: Pledged deposits	(1,512)	(1,473)
Less: Fixed deposits	-	(5,008)
Cash and cash equivalents	**17,745**	**9,596**

* 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 respectively. DeClout continues to hold 14.05% of the Group and has ceased to be the holding company of the Group 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	Total Equity
	$'000	$'000	$'000	$'000	$'000
Balance as at 1 January 2020	**71,703**	**21,942**	**(46,945)**	**46,700**	**46,700**
Total comprehensive income for the period	-	2,654	(560)	2,094	**2,094**
Share issurance	2,514	-	-	2,514	**2,514**
Issuance of new shares pursuant to performance share plan	324	-	(324)	-	**-** **-**
Share-based payment	-	-	194	194	**194**
Balance as at 30 June 2020	**74,541**	**24,596**	**(47,635)**	**51,502**	**51,502**
Balance as at 1 January 2019	**71,703**	**18,167**	**(20,829)**	**69,041**	**69,041**
Total comprehensive income for the period	-	2,618	(384)	2,234	**2,234**
Share-based payment	-	-	40	40	**40**
Acquisition of non-controlling	-	-	(28,856)	(28,856)	**(28,856)**
Balance as at 30 June 2019	**71,703**	**20,785**	**(50,029)**	**42,459**	**42,459**

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2020	**71,703**	**(1,184)**	**196**	**70,715**
Total comprehensive income for the period	-	193	-	**193**
Share issurance	2,514	-	-	**2,514**
Issuance of new shares pursuant to performance share plan	324	-	(324)	**-** **-**
Share-based payment	-	-	194	**194**
Balance as at 30 June 2020	**74,541**	**(991)**	**66**	**73,616**
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**

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 2020	284,689	71,703
As at 30 June 2020	293,687	74,541

B) Share options – employee share option scheme

Between 1 January 2020 and 30 June 2020, the Company did not issue any shares under the employee share option scheme.

As at 30 June 2020, there were no outstanding options under the employee share option scheme (30 June 2019: NIL).

C) Performance share plan

Between 1 January 2020 and 30 June 2020, the Company granted 1,540,500 shares under the performance share plan.

As at 30 June 2020, the number of shares comprised in outstanding awards granted under the performance share plan was 1,078,700 (30 June 2019: 807,800).

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 2020 and 30 June 2019.

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 2020 was 293,686,573 (30 June 2019: 284,689,000). The Company has no treasury shares.

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

Not applicable as the Company does not have treasury shares.

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

Not applicable as the Company does not have subsidiary holdings.

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

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

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

Not applicable.

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

The Group has consistently applied the same accounting policies and methods of computation in the financial statements for the six-month period ended 30 June 2020 compared with those of the audited financial statements for the financial year ended 31 December 2019, except for the adoption of the Singapore Financial Reporting Standards ("SFRS"), including improvements to SFRS and Interpretations of Financial Reporting Standards that are mandatory for financial years beginning on or after 1 January 2020, and in the six-month period ended 30 June 2020, where applicable.

The adoption of these new/revised standards and interpretations applicable for the financial period beginning 1 January 2020 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 six-month period ended 30 June 2020.

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

Please refer to item 4 above.

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

Group	1H2020	1H2019
Basic earnings per share (cents)	0.91	0.92
Fully diluted earnings per share (cents)	0.91	0.92

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-20	31-Dec-19	30-Jun-20	31-Dec-19
Net asset value per share (cents)	17.54	16.40	25.07	24.84
Number of shares in issue ('000)	293,687	284,689	293,687	284,689

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 – 1H2020 vs 1H2019

	1H2020	1H2019	Change %
Revenue ($'000)			
IT Distribution	38,474	73,179	(47.4)
Lifecycle Services	33,909	35,598	(4.7)
IT Asset Disposition*	38,121	-	N.M.
Total	**110,504**	**108,777**	1.6
Gross Profit ($'000)			
IT Distribution	5,663	19,085	(70.3)
Lifecycle Services	17,543	20,147	(12.9)
IT Asset Disposition*	9,741	-	N.M.
Total	**32,947**	**39,232**	(16.0)
Gross Profit Margin (%)			
IT Distribution	14.7	26.1	(11.4)
Lifecycle Services	51.7	56.6	(4.9)
IT Asset Disposition*	25.6	0.0	N.M.
Total	**29.8**	**36.1**	(6.3)

*Comparative figures are not restated due to unavailability of the information and the cost to develop the information would be excessive.

The Group reorganised its business segments at start of the year – from 2 business segments of 1) IT Distribution and 2) Lifecycle Services into 3 business segments of 1) IT Distribution, 2) IT Asset Deposition("ITAD") and 3) Lifecycle Services. The new ITAD business segment comprises offerings that used to be reported under both IT Distribution and Lifecycle Services. The reorganisation was carried out to more accurately reflect the nature and gross margins of the Group's ITAD offerings.

The Group's revenue increased by 1.6% from S$108.8 million in 1H2019 to S$110.5 million in 1H2020. The Group recorded a revenue of S$38.5 million, S$33.9 million and S$38.1 million in the IT Distribution business segment, Lifecycle Services business segment and ITAD business segment in 1H2020, respectively. The COVID-19 global pandemic resulted in countries to go into lock-downs, causing many businesses to grind to a halt around the world, disrupting supply chains and customers are holding back on their purchasing decisions, leading to a slow start for the Group in 1H2020.

The Group's overall gross profit decreased 16.0% from S$39.2 million in 1H2019 to S$32.9 million in 1H2020 as a result of lower gross profit margin and the increase in allowance for stock obsolescence. The Group's overall gross profit margin decreased by 6.3 percentage points from 36.1% in 1H2019 to 29.8% in 1H2020. The increase in 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. The procurement of inventories is sometimes opportunistic and trading in nature.

Other income increased by S$5.0 million mainly due to the various government support programs relating to Covid-19 pandemic and included the recognition of the loans forgiven under the PPP. Other credits increased by S$0.7 million, from S$0.1 million in 1H2019 to S$0.8 million in 1H2020, mainly due to the foreign exchange gain from the revaluation of USD, GBP and Euro ("EUR") denominated receivables.

Selling expenses increased by S$1.1 million, from S$8.7 million in 1H2019 to S$9.8 million in 1H2020 mainly due to the reclassification of sales employees' salaries previously booked in administrative expenses to selling expenses, partially offset by lower commission expenses as a result of lower gross profit.

Administrative expenses decreased by S$1.6 million, from S$26.2 million in 1H2019 to S$24.6 million in 1H2020, mainly due to the decrease in staff cost. Staff cost decreased 14.0% year-on-year mainly from the reclassification of sales employees' salaries to selling expenses.

Finance cost decreased by S$0.1 million as a result of the lower borrowings.

Other charges decreased by S$0.1 million, from S$0.4 million in 1H2019 to S$0.3 million in 1H2020. The fair value adjustment on financial liability recorded in 1H2019 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. The other charges in 1H2020 are mainly due to the increased allowance for trade receivables for the increase in the average age of the receivables.

As a result of the above, the Group recorded a pre-tax profit of S$4.0 million in 1H2020. The Group recorded an income tax expense of S$1.4 million in 1H2020 and profit after tax rose to S$2.7 million in 1H2020.

Excluding the favorable credits received from the various government support programs relating to Covid-19 pandemic, the Group would have reported a pre-tax loss and net loss of S$0.9m.

Review of financial position

Non-current assets

a) Plant and equipment decreased by S$1.9 million from S$13.0 million as at 31 December 2019 to S$11.1 million as at 30 June 2020. The decrease was mainly due to the depreciation charges of S$3.2 million, partially offset by the addition.

   At the Company level, the plant and equipment decreased by S$2.2 million from S$11.8 million as at 31 December 2019 to S$9.6 million as at 30 June 2020. The decrease was mainly due to the depreciation charges.

b) The right-of-use assets decreased by S$1.2 million from S$9.5 million as at 31 December 2019 to S$8.3 million as at 30 June 2020. The decrease was mainly due to the depreciation charges.

c) Intangible assets decreased by S$0.4 million, mainly due to the amortisation charge.

d) Finance lease receivables (both current and non-current) decreased by S$0.3 million to S$1.0 million as at 30 June 2020. The repayments were partially offset by the new leases secured during the period.

Current assets

e) Inventories decreased by S$0.8 million from S$26.4 million as at 31 December 2019 to S$25.6 million as at 30 June 2020.

f) Trade and other receivables decreased by S$17.3 million to S$33.9 million as at 30 June 2020. The decrease was mainly due to the set-off of approximately US$6.2 million receivables due from Congruity LLC and its affiliates against the second tranche payment of US$10 million for the Group's acquisition of 49% equity interests of Rockland.

g) Prepayments decreased by S$3.4 million mainly due to lower 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 decreased by S$21.5 million to S$25.2 million as at 30 June 2020 mainly due to the reversal on 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 deferred maintenance revenue from signed maintenance contracts. Deferred income records decreased by S$2.9 million from S$27.2 million as at

31 December 2019 to S$24.3 million as at 30 June 2020 as a result of lower value of signed maintenance contracts in 1H2020.

k) The decrease in loans and borrowings (both current and non-current) of S$2.2 million was mainly due to the repayment of existing term loans, short-term trade facilities and finance leases.

l) The decrease in lease liabilities (both current and non-current) of S$1.2 million was mainly due to the repayment.

Net working capital position

The Group recorded a higher positive working capital of S$26.2 million as at 30 June 2020 compared to S$21.2 million as at 31 December 2019.

Review of cash flows

Net cash generated from operating activities in 1H2020 amounted to S$18.9 million as compared to S$25.8 million in 1H2019. The decrease was mainly due to the decrease in trade and other payables of S$7.5 million, the increase in inventories of S$2.1 million and the decrease in deferred income of S$2.9 million. This was partially offset by the decrease in trade and other receivables of S$16.2 million, the decrease in prepayment of S$3.4 million and the decrease in finance lease receivables of S$0.3 million.

Net cash generated from investing activities amounted to S$3.1 million in 1H2020 as compared to cash used of S$0.3 million in 1H2019. The cash used in 1H2019 was mainly attributable to the placement of fixed deposit of S$5.0 million. Net cash generated from investing activities in 1H2020 was mainly due to the maturity of fixed deposit of S$4.0 million, partially offset by the purchase of plant and equipment of S$1.0 million.

Net cash used in financing activities in 1H2020 amounted to S$5.6 million as compared to S$26.5 million in 1H2010. The cash used in financing activities in 1H2019 was primarily deployed on the acquisition of non-controlling interest of S$29.2 million. The cash used in financing activities in 1H2020 was mainly due to the repayment of borrowings of S$77.8 million, lease liabilities of S$1.3 million, the interest paid of S$0.7 million and the final payment for the acquisition of 49% equity interests of Rockland of S$0.7 million, partially offset by the proceeds from borrowings of S$74.9 million.

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

The unaudited financial results for the financial period ended 30 June 2020 set out in this announcement are in line with the profit guidance announcement released by the Company on 9 June 2020.

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.

Aggressive lockdown measures to rein in the Covid-19 global pandemic have thrown global supply chains into disarray, taking its toll on businesses across the world. At its peak, such measures caused factories to halt and transportation networks to become dormant, resulting in delayed purchasing decisions, which led to a slow start for the Group in 1H2020. In the event that the Covid-19 global pandemic continues, with continued delayed purchasing decisions, the Group could experience potential disruption to the business.

Challenges notwithstanding, the Group continues to position itself for the sector trend of cloud migration in an increasingly digital world. From the biggest work-from-home experiment[1] to tapping cloud-based technologies to fight the coronavirus(2), cloud technology is fast gaining ground. Enterprises compelled to adopt various cloud-based services during these unprecedented times, will only quicken the shift to the cloud in this technology-driven era. According to data by IT asset management firm Snow Software, this pandemic has precipitated an acceleration in the adoption of cloud technologies worldwide[3], a trend that looks set to continue for the foreseeable future. Gartner[4] forecasts that the worldwide public cloud revenue will grow from $257.9 billion in 2020 to $364 billion in 2022. In 2020 alone, Gartner expects a 6.3% growth in public cloud revenue, with desktop-as-a-service to garner the most significant growth.

Beyond the broader cloud trend, with the impending coronavirus-induced global recession, corporations will be forced to tighten budgets and source for affordable alternatives as they switch to the cloud. This will provide

opportunities for the Group's cost-effective business in the IT industry, similar to the days during the sub-prime crisis in 2009 and 2010.

In view of these potential opportunities, the Group is executing its strategic initiatives to improve internal processes through the use of global systems to drive data-analytics based decision making for its global operations.

Through these enhanced capabilities and the accessibility of pertinent operational data, the Group will be poised to strengthen the quality of its services scalability and delivery, leverage on its distinctive partner networks more effectively, and stay stringent on investments to build greater financial resilience for sustainable growth in the future.

[1] The world's biggest work-from-home experiment has been triggered by coronavirus
https://edition.cnn.com/2020/02/14/asia/coronavirus-work-from-home-intl-hnk-scli/index.html
[2] Tapping AI to battle Covid-19
https://www.straitstimes.com/tech/tapping-ai-to-battle-covid-19
[3] Coronavirus: Enterprise cloud adoption accelerates in the face of Covd-19, says research
https://www.computerweekly.com/news/252484865/Coronavirus-Enterprise-cloud-adoption-accelerates-in-face-of-Covid-19-says-research
[4] Gartner Forecasts Worldwide Public Cloud Revenue to Grow 6.3 Percent in 2020:
https://www.gartner.com/en/newsroom/press-releases/2020-07-23-gartner-forecasts-worldwide-public-cloud-revenue-to-grow-6point3-percent-in-2020

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.

No IPT mandate has been obtained in the Annual General Meeting on 17 June 2020.

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 S$ million	Net Proceeds utilised as at the date of this announcement S$ million	Balance of Net Proceeds as at the date of this announcement S$ million
Merger and acquisitions, joint ventures and partnerships	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 six-month period ended 30 June 2020 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 2020