PROCURRI CORPORATION LIMITED
Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 31 December 2020 ("2H2020")

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	2H2020 $'000	2H2019 $'000	Change %	FY2020 $'000	FY2019 $'000	Change %
Revenue		122,963	112,511	9.3	233,467	221,289	5.5
Cost of sales*		(91,165)	(73,641)	23.8	(168,722)	(143,185)	17.8
Gross profit		**31,798**	**38,870**	(18.2)	**64,745**	**78,104**	(17.1)
Other items of income							
Other income		583	563	3.6	6,103	1,130	440.1
Other credits		-	109	NM	188	255	(26.3)
Other items of expense							
Selling expenses		(11,207)	(9,290)	20.6	(20,970)	(17,993)	16.5
Administrative expenses		(18,476)	(28,168)	(34.4)	(43,032)	(54,320)	(20.8)
Finance costs		(456)	(781)	(41.6)	(1,108)	(1,497)	(26.0)
Other charges		(2,243)	(569)	294.2	(1,895)	(942)	101.2
Profit/(loss) before tax		**(1)**	**734**	(100.1)	**4,031**	**4,737**	(14.9)
Income tax expense		43	422	(89.8)	(1,335)	(962)	38.8
Profit, net of tax		**42**	**1,156**	(96.4)	**2,696**	**3,775**	(28.6)
Profit attributable to:							
Owners of the Company		42	1,156	(96.4)	2,696	3,775	(28.6)
Profit for the period		**42**	**1,156**	(96.4)	**2,696**	**3,775**	(28.6)
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Foreign currency translation	1	831	651	27.6	271	267	1.5
Other comprehensive income for the period		**831**	**651**	27.6	**271**	**267**	1.5
Total comprehensive income for the period		**873**	**1,807**	(51.7)	**2,967**	**4,042**	(26.6)
Profit for the period attributable to:							
Owners of the Company		42	1,156	(96.4)	2,696	3,775	(28.6)
Comprehensive income attributable to:							
Owners of the Company		**873**	**1,807**	(51.7)	**2,967**	**4,042**	(26.6)

Statement of comprehensive income

	Note	2H2020 $'000	2H2019 $'000	Change %	FY2020 $'000	FY2019 $'000	Change %
Cost of sales							
Cost of sales		86,483	72,885	18.7	161,367	141,186	14.3
Allowance for stock obsolescence	2	4,682	756	519.3	7,355	1,999	267.9
		91,165	73,641	23.8	168,722	143,185	17.8

Statement of comprehensive income

	Note	2H2020 $'000	2H2019 $'000	Change %	FY2020 $'000	FY2019 $'000	Change %
Other income							
Interest income		21	87	(75.9)	67	186	(64.0)
Others	3	562	476	18.1	6,036	944	539.4
		583	563		6,103	1,130	
Other credits							
Fair value adjustment on financial liability	4	-	-	NM	188	-	NM
Gain on disposal of plant and equipment		-	1	NM	-	1	NM
Foreign exchange gain	5	-	108	NM	-	254	NM
		-	109		188	255	
Other charges							
Allowance for trade receivables	6	362	176	105.7	662	355	86.5
Impairment of goodwill	7	350	-	NM	350	-	NM
Fair value adjustment on financial liability	4	-	393	NM	-	587	NM
Foreign exchange loss	5	1,531	-	NM	883	-	NM
		2,243	569		1,895	942	
Other items							
Depreciation of plant and equipment	8	953	3,735	(74.5)	4,127	7,995	(48.4)
Depreciation of right-of-use assets		1,474	1,247	18.2	2,837	2,388	18.8
Amortisation of intangible assets		398	399	(0.3)	799	728	9.8
Interest expense		456	781	(41.6)	1,108	1,497	(26.0)

N.M. - Not meaningful

* Allowance for stock obsolescence for 2H2019 and FY2019 was reclassified from other charges to cost of sales for comparative purposes.

1. The foreign currency translation gain for foreign operations in 2H2020 was mainly due to the movement of Sterling Pound ("GBP") against Singapore Dollar ("S$"). The GBP strengthened 1.8% in 2H2020, from S$1.769/GBP in December 2019 to S$1.80/GBP in December 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, was 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 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 loss in 2H2020 and FY2020 mainly arose from the revaluation of USD denominated receivables. The USD against SGD weakened by 1.9%, from USD1.347/SGD in December 2019 to USD1.322/SGD in December 2020.

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

7. The impairment relates to the write down of the goodwill arising from the acquisition of Procurri Malaysia.

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

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

	Group		Company	
	31-Dec-20 $'000	31-Dec-19 $'000	31-Dec-20 $'000	31-Dec-19 $'000
ASSETS				
Non-current assets				
Plant and equipment	2,957	13,005	8	11,808
Right-of-use assets	7,004	9,508	306	523
Investment in subsidiaries	-	-	44,323	44,387
Intangible assets	12,528	13,687	-	520
Finance lease receivables	464	864	-	-
Deferred tax assets	4,233	4,275	325	749
Total non-current assets	**27,186**	**41,339**	**44,962**	**57,987**
Current assets				
Inventories	26,035	26,354	-	-
Trade and other receivables	34,564	51,214	27,815	17,247
Prepayments	9,186	13,375	17	20
Finance lease receivables	115	500	-	-
Cash and bank balances	32,700	17,132	4,753	5,847
Total current assets	**102,600**	**108,575**	**32,585**	**23,114**
Total assets	**129,786**	**149,914**	**77,547**	**81,101**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	27,206	46,680	2,360	4,620
Deferred income	16,267	25,386	-	-
Loans and borrowings	16,278	11,302	1,322	2,694
Lease liabilities	2,830	2,411	220	214
Income tax payable	1,154	1,580	1,195	1,133
	63,735	**87,359**	**5,097**	**8,661**
Non-current liabilities				
Deferred tax liabilities	67	63	-	-
Loans and borrowings	4,796	5,463	-	1,347
Lease liabilities	5,191	7,826	93	313
Provisions	815	681	65	65
Deferred income	2,679	1,822	-	-
Total non-current liabilities	**13,548**	**15,855**	**158**	**1,725**
Total liabilities	**77,283**	**103,214**	**5,255**	**10,386**
Equity attributable to owners of the Company				
Share capital	74,541	71,703	74,541	71,703
Retained earnings	24,638	21,942	(2,445)	(1,184)
Other reserves	(46,676)	(46,945)	196	196
Total equity	**52,503**	**46,700**	**72,292**	**70,715**
Total equity and liabilities	**129,786**	**149,914**	**77,547**	**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.

	As at 31-Dec-20			As at 31-Dec-19		
Group	**Secured**	**Unsecured**	**Total**	**Secured**	**Unsecured**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Amount repayable in one year or less, on demand	12,881	3,397	**16,278**	8,460	2,842	**11,302**
Amount repayable after one year	2,796	2,000	**4,796**	4,116	1,347	**5,463**
	15,677	**5,397**	**21,074**	**12,576**	**4,189**	**16,765**
Borrowings comprise:						
Bank loans	4,039	5,322	**9,361**	5,382	4,042	**9,424**
Short term trade facilities	11,638	-	**11,638**	7,194	-	**7,194**
Finance lease obligations	-	46	**46**	-	72	**72**
Others	-	29	**29**	-	75	**75**
	15,677	**5,397**	**21,074**	**12,576**	**4,189**	**16,765**

Details of collaterals

The secured short-term trade facilities of S$11.6 million as at 31 December 2020 (31 December 2019: S$7.2 million) include trust receipts and trade receivables factoring. The finance lease obligations of S$46,000 as at 31 December 2020 are secured by charges over the fixed assets with a carrying amount of S$0.2 million as at 31 December 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		Group	
	2H2020 $'000	2H2019 $'000	FY2020 $'000	FY2019 $'000
Cash flows from operating activities				
Profit before tax	**(1)**	**734**	**4,031**	**4,737**
Adjustments for:				
Depreciation of plant and equipment	953	3,735	4,127	7,995
Depreciation of right-of-use assets	1,474	1,247	2,837	2,388
Amortisation of intangible assets	398	399	799	728
Share based payment	128	80	322	120
Gain on disposal of plant and equipment	-	(1)	-	(1)
Loss/(gain) on fair value of derivative financial liability	-	393	(188)	587
Impairement of goodwill	350	-	350	-
Interest income	(21)	(87)	(67)	(186)
Interest expense	456	781	1,108	1,497
Inventories written down	4,682	756	7,355	1,999
Allowance for trade receivables	362	176	662	355
Provisions	123	207	123	207
Exchange differences	743	313	350	(106)
Operating cash flows before changes in working capital	**9,647**	**8,733**	**21,809**	**20,320**
Decrease/(increase) in inventories	2,382	(1,392)	279	(3,485)
(Increase)/decrease in trade and other receivables	49	(3,527)	16,211	505
Decrease in finance lease receivables	469	114	785	793
Decrease/(increase) in prepayment	828	196	4,189	(5,043)
(Decrease)/increase in deferred income	(5,402)	426	(8,261)	6,845
Increase/(decrease) in trade and other payables	1,914	(10,931)	(5,603)	1,591
Net cash generated from/(used in) operations	**9,887**	**(6,381)**	**29,409**	**21,526**
Income taxes paid	(1,335)	(962)	(1,930)	(3,113)
Net cash generated from/(used in) operations	**8,552**	**(7,343)**	**27,479**	**18,413**
Cash flows from investing activities				
Purchase of plant and equipment	(392)	(1,936)	(1,381)	(2,873)
Proceeds from disposal of plant and equipment	-	22	-	121
Proceeds from maturity of fixed deposits	-	966	4,042	1,418
Interest received	21	87	67	186
Net cash (used in)/generated from investing activities	**(371)**	**(861)**	**2,728**	**(1,148)**
Cash flows from financing activities				
Share issuance expenses	-	-	(30)	-
Proceeds from loans and borrowings	79,658	52,183	154,520	145,532
Repayments of loans and borrowings	(72,301)	(52,801)	(150,092)	(141,821)
Repayments of lease liabilities	(1,341)	(1,280)	(2,611)	(2,174)
Acquisition of non-controlling interest	-	12,916	(11,182)	(16,271)
Interest paid	(456)	(781)	(1,108)	(1,497)
Net cash generated from/(used in) financing activities	**5,560**	**10,237**	**(10,503)**	**(16,231)**
Net (decrease)/increase in cash and cash equivalents	**13,741**	**2,033**	**19,704**	**1,034**
Effect of exchange rate changes on cash and cash equivalents	(232)	(7)	(73)	(84)
Cash and cash equivalents at beginning of the financial period	17,745	9,597	11,623	10,673
Cash and cash equivalents at end of the financial period	**31,254**	**11,623**	**31,254**	**11,623**
Cash and cash equivalents comprise the following:				
Cash and bank balances	32,700	17,132	32,700	17,132
Less: Pledged deposits	(1,446)	(1,467)	(1,446)	(1,467)
Less: Fixed deposits	-	(4,042)	-	(4,042)
Cash and cash equivalents	**31,254**	**11,623**	**31,254**	**11,623**

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	-	2,696	271	2,967	**2,967**
Issuance of new shares pursuant to performance share plan	324	-	(324)	-	**-**
Changes in ownership interest in a subsidiary	2,514	-	-	2,514	**2,514**
Share-based payment	-	-	322	322	**322**
Balance as at 31 December 2020	**74,541**	**24,638**	**(46,676)**	**52,503**	**52,503**

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 2019	**71,703**	**18,167**	**(20,829)**	**69,041**	**69,041**
Total comprehensive income for the period	-	3,775	267	4,042	**4,042**
Acquisition of non-controlling	-	-	(26,503)	(26,503)	**(26,503)**
Share-based payment	-	-	120	120	**120**
Balance as at 31 December 2019	**71,703**	**21,942**	**(46,945)**	**46,700**	**46,700**

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	-	(1,261)	2	**(1,259)**
Issuance of new shares pursuant to performance share plan	324	-	(324)	**-**
Changes in ownership interest in a subsidiary	2,514	-	-	**2,514**
Share-based payment	-	-	322	**322**
Balance as at 31 December 2020	**74,541**	**(2,445)**	**196**	**72,292**

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2019	**71,703**	**(972)**	**76**	**70,807**
Total comprehensive income for the period	-	(212)	-	**(212)**
Share-based payment	-	-	120	**120**
Balance as at 31 December 2019	**71,703**	**(1,184)**	**196**	**70,715**

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 31 December 2020	293,687	74,541

B) Share options – employee share option scheme

Between 1 January 2020 and 31 December 2020, the Company did not issue any shares under the employee share option scheme.

As at 31 December 2020, there were no outstanding options under the employee share option scheme (30 December 2019: NIL).

C) Performance share plan

Between 1 January 2020 and 31 December 2020, the Company granted 1,540,500 shares under the performance share plan.

As at 31 December 2020, the number of shares comprised in outstanding awards granted under the performance share plan was 1,078,700 (31 December 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 31 December 2020 and 31 December 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 31 December 2020 was 293,686,573 (31 December 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 applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period as compared to those applied in the audited financial statements for the financial year ended 31 December 2019.

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	2H2020	2H2019	FY2020	FY2019
Basic earnings per share (cents)	0.01	0.41	0.92	1.33
Fully diluted earnings per share (cents)	0.01	0.40	0.92	1.30

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

a) current financial period reported on; and

b) immediately preceding financial year.

	Group		Company	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Net asset value per share (cents)	17.88	16.40	24.62	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 – 2H2020 vs 2H2019

	2H2020	2H2019	Change %
Revenue ($'000)			
IT Distribution	84,101	76,584	9.8
Lifecycle Services	38,862	35,927	8.2
Total	**122,963**	**112,511**	9.3
Gross Profit ($'000)			
IT Distribution	16,108	18,337	(12.2)
Lifecycle Services	15,690	20,533	(23.6)
Total	**31,798**	**38,870**	(18.2)
Gross Profit Margin (%)			
IT Distribution	19.2	23.9	(4.8)
Lifecycle Services	40.4	57.2	(16.8)
Total	**25.9**	**34.5**	(8.7)

The Group's revenue increased by 9.3% from S$112.5 million in 2H2019 to S$123.0 million in 2H2020. The Group recorded a revenue of S$84.1 million and S$38.9 million in the IT Distribution business segment and Lifecycle Services business segment respectively. The IT Distribution business segment's revenue increased by 9.8% from S$76.6 million in 2H2019 to S$84.1 million in 2H2020. The revenue from the Lifecycle Services business segment increased by 8.2% from S$35.9 million in 2H2019 to S$38.9 million in 2H2020 as a result of the better performance from all regions.

The Group's overall gross profit decreased 18.2% from S$38.9 million in 2H2019 to S$31.8 million in 2H2020 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 8.7 percentage points from 34.5% in 2H2019 to 25.9% in 2H2020. The increase in allowance for stock obsolescence was mainly due to increase in aged inventories and the change in accounting for maintenance inventory. The Group reclassified maintenance parts from plant and equipment to inventories and this resulted in a year-on-year increase of stock obsolescence of S$3.3 million in 2H2020.

Other credits in 1H2019 were mainly due to the foreign exchange gain from the revaluation of USD, GBP and Euro ("EUR") denominated receivables.

Selling expenses increased by S$1.9 million, from S$9.3 million in 2H2019 to S$11.2 million in 2H2020 mainly due to the reclassification of sales employees' salaries previously booked in administrative expenses to selling expenses.

Administrative expenses decreased by S$9.7 million, from S$28.2 million in 2H2019 to S$18.5 million in 2H2020, mainly due to the decrease in staff cost. Staff cost decreased 38.5% year-on-year mainly from the reclassification of sales employees' salaries to selling expenses. Staff cost, including those of sales employees, decreased 15.4%, from S$18.7 million in 2H2019 to S$15.8 million in 2H2020.

Finance cost decreased by S$0.3 million as a result of the lower borrowings during the year.

Other charges increased by S$1.6 million, from S$0.6 million in 2H2019 to S$2.2 million in 2H2020, mainly due to exchange loss amounting to S$1.5 million from the revaluation of USD, GBP and EUR denominated receivables, the allowance for trade receivables of S$0.4 million and the impairment of goodwill of S$0.4 million. The fair value adjustment on financial liability recorded in 2H2019 arose from the fair value assessment on the provision for the second tranche payment in relation to the acquisition of the 49% equity interest of Rockland.

As a result of the above, the Group recorded a pre-tax loss of S$1,000 in 2H2020. The Group recorded an income tax credit of S$43,000 in 2H2020 mainly due to the reversal on overprovision of income tax expenses in 1H2020 and a profit after tax stood at S$42,000 in 2H2020.

Review of performance – FY2020 vs FY2019

	FY2020	FY2019	Change %
Revenue ($'000)			
IT Distribution	156,211	149,764	4.3
Lifecycle Services	77,256	71,525	8.0
Total	**233,467**	**221,289**	5.5
Gross Profit			
IT Distribution	29,341	37,424	(21.6)
Lifecycle Services	35,404	40,680	(13.0)
Total	**64,745**	**78,104**	(17.1)
Gross Profit Margin (%)			
IT Distribution	18.8	25.0	(6.2)
Lifecycle Services	45.8	56.9	(11.0)
Total	**27.7**	**35.3**	(7.6)

The Group's revenue increased by 5.5% from S$221.3 million in FY2019 to S$233.5 million in FY2020. The IT Distribution business segment's revenue increased by 4.3% from S$149.8 million in FY2019 to S$156.2 million in FY2020. The revenue from the Lifecycle Services business segment increased by 8.0% from S$71.5 million in FY2019 to S$77.3 million in FY2020, attributable to the better performance from all regions.

The Group's overall gross profit decreased 17.1% from S$78.1 million in FY2019 to S$64.7 million in FY2020. The Group's overall gross profit margin decreased by 7.6 percentage points from 35.3% in FY2019 to 27.7% in FY2020. The gross profit margin in the IT Distribution business segment decreased from 25.0% in FY2019 to 18.8% in FY2020, mainly due to increased volume of ITAD hardware (which commands lower margin) deals and several low-margin trading hardware deals in order to move aged inventories. The gross profit margin in the Lifecycle Services business segment decreased from 56.9% in FY2019 to 45.8% in FY2020 as a result of lower gross profit margin and the increase in allowance for stock obsolescence. The Group reclassified maintenance parts from plant and equipment to inventories and this resulted in a year-on-year increase of stock obsolescence of S$4.0 million in FY2020.

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 decreased by S$0.1 million, from S$0.3 million in FY2019 to S$0.2 million in FY2020. FY2019 credit was mainly due to the foreign exchange gain from the revaluation of USD, GBP and EUR denominated receivables.

Selling expenses increased by S$3.0 million, from S$18.0 million in FY2019 to S$21.0 million in FY2020, as a result of the reclassification of sales employees' salaries previously booked in administrative expenses to selling expenses.

Administrative expenses decreased by S$11.3 million, from S$54.3 million in FY2019 to S$43.0 million in FY2020, mainly due to the decrease in staff cost. Staff cost decreased 26.2% year-on-year mainly from the reclassification of sales employees' salaries to selling expenses. Staff cost, including those of sales employees, decreased 6.7%, from S$37.6 million in FY2019 to S$35.0 million in FY2020.

Finance cost decreased by S$0.4 million as a result of lower borrowings during the year.

Other charges increased by S$1.0 million, from S$0.9 million in FY2019 to S$1.9 million in FY2020. The other charges recorded in FY2020 mainly arose from the foreign exchange loss of S$0.9 million, the allowance for bad debt of S$0.7 million and the impairment of goodwill of S$0.4 million. The fair value adjustment on financial liability recorded in FY2019 arose from the fair value assessment on the provision for the second tranche payment in relation to the acquisition of the 49% equity interest of Rockland.

As a result of the above, the Group recorded a pre-tax profit of S$4.0 million in FY2020 compared to S$4.7 million in FY2019. The Group recorded an income tax expense of S$1.3 million in FY2020 and profit after tax stood at S$2.7 million in FY2020.

Review of financial position

Non-current assets

a) Plant and equipment decreased by S$10.0 million from S$13.0 million as at 31 December 2019 to S$3.0 million as at 31 December 2020. The decrease was mainly due to the reclassification of maintenance parts from fixed assets to inventories and the depreciation charges of S$4.1 million. The reclassification of maintenance parts from fixed assets to inventories is due to the business decision to hold the maintenance parts for both trading opportunities and maintenance delivery. This was partially offset by the addition.

   At the Company level, the plant and equipment decreased by S$11.8 million. The decrease was mainly due to the selling of maintenance parts to the North and South Americas (the "Americas")

b) The right-of-use assets decreased by S$2.5 million from S$9.5 million as at 31 December 2019 to S$7.0 million as at 31 December 2020. The decrease was mainly due to the depreciation charges.

c) Intangible assets decreased by S$1.2 million, mainly due to the impairment of goodwill and the amortisation charge.

d) Finance lease receivables (both current and non-current) decreased by S$0.8 million to S$0.6 million as at 31 December 2020. The repayments were partially offset by the new leases secured during the period.

Current assets

e) Inventories decreased by S$0.3 million from S$26.4 million to S$26.0 million as at 31 December 2020.

f) Trade and other receivables decreased by S$16.7 million to S$34.6 million as at 31 December 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$4.2 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$19.5 million to S$27.2 million as at 31 December 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$8.3 million from S$27.2 million as at 31 December 2019 to S$18.9 million as at 31 December 2020 as a result of lower value of signed maintenance contracts.

k) The increase in loans and borrowings (both current and non-current) of S$4.3 million was mainly due to the acquisition of a short-term trade facility in Singapore, partially offset by 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$2.2 million was mainly due to the repayment.

Net working capital position

The Group recorded a higher positive working capital of S$38.9 million as at 31 December 2020 compared to S$21.2 million as at 31 December 2019.

Review of cash flows

Net cash generated from operating activities in FY2020 amounted to S$27.5 million as compared to S$18.4 million in FY2019. The increase was mainly due to the decrease in trade and other receivables of S$16.2 million, prepayment of S$4.2 million, finance lease receivables of S$0.8 million and inventories of S$0.3 million. This was partially offset by the decrease in trade and other payables of S$5.6 million and deferred income of S$8.3 million.

Net cash generated from investing activities amounted to S$2.7 million in FY2020 as compared to cash used of S$1.1 million in FY2019. Net cash generated from investing activities in FY2020 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$1.4 million.

Net cash used in financing activities in FY2020 amounted to S$10.5 million as compared to S$16.2 million in FY2019. The cash used in financing activities in FY2020 was mainly due to the repayment of borrowings of S$150.1 million, the repayment of lease liabilities of S$2.6 million, the interest paid of S$1.1 million and the final payment for the acquisition of 49% equity interests of Rockland of S$11.2 million, partially offset by the proceeds from borrowings of S$154.5 million.

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

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

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

The COVID-19 pandemic has increased the reliance of businesses on cloud and data centre operations[1] to support remote working and online customer support activities. This shift has led to increased demand for data centre and client computing equipment, with research group Gartner[2] expecting global public cloud spending to grow 18% to $304.9 billion in 2021. The Group believes this overall increase in equipment demand benefits its core markets.

Offsetting the increasing demand is the business disruption brought about with "second" and "third" wave pandemic infections in the Group's North American and European markets[3]. Restrictions on travel, face-to-face meetings, and customer site access have slowed the Group's ability to sell its solutions effectively. Additionally, the elevated global risk environment has introduced greater volatility and delays in purchasing activity as customer operations are frequently still disrupted. As a result, the Group has not been able to capitalise fully on the potential demand for its products and services.

The Group continues to adjust its operations to adapt to the more restrictive environment, and remains cautiously optimistic that the salubrious effects of COVID-19 vaccine rollouts globally will result in fewer restrictions to access to customer accounts and sales.

[1] Businesses turn to cybersecurity and cloud computing to overcome COVID-19 challenges
https://www.globaldata.com/businesses-turn-cybersecurity-cloud-computing-overcome-covid-19-challenges/
[2] Gartner forecasts Worldwide Public Cloud End-User Spending to Grow 18% in 2021
https://www.gartner.com/en/newsroom/press-releases/2020-11-17-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-grow-18-percent-in-2021
[3] Lessons from around the world on fighting Covid-19's second wave
https://www.straitstimes.com/opinion/lessons-from-around-the-world-on-fighting-covid-19s-second-wave-0

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

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

(a) Business segments

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

(b) Geographical segments

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

	FY2020	FY2019	Increase / (decrease)
	$'000	$'000	%
Geographical information by revenue			
Singapore	13,789	23,036	(40.1)
EMEA	84,676	71,009	19.2
Americas	131,201	123,276	6.4
Others	3,801	3,968	(4.2)
	233,467	221,289	5.5
Geographical information by non current assets			
Singapore	141	10,850	(98.7)
EMEA	10,827	10,846	(0.2)
Americas	2,235	2,318	(3.6)
Others	2,282	2,678	(14.8)
	15,485	26,692	(42.0)

Non-current assets information presented above consist of plant and equipment and intangible assets as presented in the consolidated balance sheet.

Revenue in the EMEA and America increased 19.2% and 6.4% respectively, from the contribution from both IT Distribution and Lifecycle Services business segments. Revenue from IT Distribution in Singapore declined 56.7% year-on-year and Lifecycle Services declined 11.3% year-on-year, resulting in a year-on-year decline of 40.1%.

Non-current assets in Singapore declined 98.7% mainly due to the reclassification of maintenance parts to inventories. Non-current assets in the Others decreased 14.8% as a result of the impairment of goodwill.

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

Please refer to paragraph 8 and 16 of this announcement.

18 A breakdown of sales.

	FY2020	FY2019	Increase / (decrease)
	$'000	$'000	%
(a) Sales reported for the first half year	110,504	108,777	2%
(b) Profit after tax for the first half year	2,654	2,618	1%
(c) Sales reported for the second half year	122,963	112,512	9%
(d) Profit after tax for the second half year	42	1,157	-96%

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

	FY2020	FY2019
	$'000	$'000
Dividend		
- Final	-	-
Total	-	-

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

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

BY ORDER OF THE BOARD
Thomas Sean Murphy
Chairman and Global Chief Executive Officer
24 February 2021