PROCURRI CORPORATION LIMITED
(Registration No: 201306969W)
UNAUDITED FINANCIAL STATEMENTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 JUNE 2021 ("1H2021")

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

A Condensed interim consolidated statement of profit or loss and other comprehensive income

Group	Note	1H2021 $'000	1H2020 $'000	Change %
Revenue	4	125,906	110,504	13.9
Cost of sales		(96,336)	(77,557)	24.2
Gross profit		**29,570**	**32,947**	(10.2)
Other items of income				
Other income		2,456	5,520	(55.5)
Other credits		670	836	(19.9)
Other items of expense				
Selling expenses		(13,181)	(9,763)	35.0
Administrative expenses		(17,608)	(24,556)	(28.3)
Finance costs		(344)	(652)	(47.2)
Other charges		(196)	(300)	(34.7)
Profit before tax	6	**1,367**	**4,032**	(66.1)
Income tax expense	7	885	(1,378)	N.M.
Profit, net of tax		**2,252**	**2,654**	(15.1)
Profit attributable to:				
Owners of the Company		2,252	2,654	(15.1)
Profit for the period		**2,252**	**2,654**	(15.1)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation		954	(560)	N.M.
Other comprehensive income for the period		**954**	**(560)**	N.M.
Total comprehensive income for the period		**3,206**	**2,094**	53.1
Profit for the period attributable to:				
Owners of the Company		2,252	2,654	(15.1)
Comprehensive income attributable to:				
Owners of the Company		**3,206**	**2,094**	53.1
Earnings per share for the profit for the period attributable to the owners of the Company during the period				
Basic (SGD in cent)		0.77	0.91	
Diluted (SGD in cent)		0.76	0.91	

B Condensed interim statements of financial position

	Group		Company	
	30-Jun-21 $'000	31-Dec-20 $'000	30-Jun-21 $'000	31-Dec-20 $'000
ASSETS				
Non-current assets				
Plant and equipment	2,573	2,957	1	8
Right-of-use assets	5,750	7,004	198	306
Investment in subsidiaries	-	-	44,336	44,323
Intangible assets	12,863	12,528	-	-
Finance lease receivables	129	210	-	-
Deferred tax assets	3,199	4,233	275	325
Total non-current assets	**24,514**	**26,932**	**44,810**	**44,962**
Current assets				
Inventories	24,914	26,035	-	-
Trade and other receivables	46,762	34,564	27,371	27,815
Prepayments	10,342	9,186	5	17
Finance lease receivables	349	299	-	-
Cash and bank balances	22,997	32,700	3,954	4,753
Total current assets	**105,364**	**102,784**	**31,330**	**32,585**
Total assets	**129,878**	**129,716**	**76,140**	**77,547**
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	30,584	27,206	2,086	2,360
Deferred income	21,159	16,197	-	-
Loans and borrowings	7,257	16,232	-	1,322
Lease liabilities	2,429	2,876	204	220
Income tax payable	1,423	1,154	1,179	1,195
	62,852	**63,665**	**3,469**	**5,097**
Non-current liabilities				
Deferred tax liabilities	-	67	-	-
Loans and borrowings	3,212	4,796	-	-
Lease liabilities	4,429	5,191	-	93
Provisions	895	815	65	65
Deferred income	2,735	2,679	-	-
Total non-current liabilities	**11,271**	**13,548**	**65**	**158**
Total liabilities	**74,123**	**77,213**	**3,534**	**5,255**
Equity attributable to owners of the Company				
Share capital	74,695	74,541	74,695	74,541
Retained earnings	26,890	24,638	(2,177)	(2,445)
Other reserves	(45,830)	(46,676)	88	196
Equity attributable to owners of the Company	**55,755**	**52,503**	**72,606**	**72,292**
Total equity	**55,755**	**52,503**	**72,606**	**72,292**
Total equity and liabilities	**129,878**	**129,716**	**76,140**	**77,547**

C Condensed interim statements of changes in equity

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 2021	**74,541**	**24,638**	**(46,676)**	**52,503**	**52,503**
Total comprehensive income for the period	-	2,252	954	3,206	**3,206**
Issuance of new shares pursuant to performance share plan	154	-	(154)	-	**-** **-**
Share-based payment	-	-	46	46	**46**
Balance as at 30 June 2021	**74,695**	**26,890**	**(45,830)**	**55,755**	**55,755**
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 shares 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**

Company	Share Capital	Retained Earnings	Other Reserves	Total Equity
	$'000	$'000	$'000	$'000
Balance as at 1 January 2021	**74,541**	**(2,445)**	**196**	**72,292**
Total comprehensive income for the period	-	268	-	**268**
Issuance of new shares pursuant to performance share plan	154	-	(154)	**-** **-**
Share-based payment	-	-	46	**46**
Balance as at 30 June 2021	**74,695**	**(2,177)**	**88**	**72,606**
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**

D Condensed interim consolidated statement of cash flows

	Group	
	1H2021 $'000	1H2020 $'000
Cash flows from operating activities		
Profit before tax	**1,367**	**4,032**
Adjustments for:		
Depreciation of plant and equipment	604	3,174
Depreciation of right-of-use assets	1,385	1,363
Amortisation of intangible assets	135	401
Share based payment	46	194
Loss on disposal of plant and equipment	52	-
Loss on fair value of derivative financial liability	-	(188)
Interest income	(4)	(46)
Interest expense	344	652
Inventories written down	4,636	2,673
Allowance for trade receivables	144	300
Provisions	60	-
Exchange differences	6	(390)
Operating cash flows before changes in working capital	**8,775**	**12,165**
Increase in inventories	(3,582)	(2,104)
(Increase)/decrease in trade and other receivables	(9,495)	16,162
Decrease in finance lease receivables	31	316
Incecrease/(decrease) in prepayment	(1,156)	3,360
(Increase)/decrease in deferred income	5,018	(2,859)
(Increase)/decrease in trade and other payables	3,379	(7,517)
Net cash generated from operations	**2,970**	**19,523**
Income taxes paid	(665)	(595)
Net cash generated from operating activities	**2,305**	**18,928**
Cash flows from investing activities		
Purchase of plant and equipment	(148)	(989)
Proceeds from maturity of fixed deposits	1,321	4,042
Interest received	4	46
Net cash generated from investing activities	**1,177**	**3,099**
Cash flows from financing activities		
Share issuance expenses	-	(30)
Proceeds from loans and borrowings	66,724	74,862
Repayments of loans and borrowings	(77,598)	(77,791)
Repayments of lease liabilities	(1,209)	(1,270)
Acquisition of non-controlling interest	-	(11,182)
Interest paid	(344)	(652)
Net cash used in financing activities	**(12,427)**	**(16,063)**
Net (decrease)/increase in cash and cash equivalents	**(8,945)**	**5,964**
Effect of exchange rate changes on cash and cash equivalents	563	158
Cash and cash equivalents at beginning of the financial period	31,254	11,623
Cash and cash equivalents at end of the financial period	**22,872**	**17,745**
Cash and cash equivalents comprise the following:		
Cash and bank balances	22,997	19,471
Less: Bank overdraft	-	(214)
Less: Pledged deposits	(125)	(1,512)
Cash and cash equivalents	**22,872**	**17,745**

E Notes to the condensed interim consolidated financial statements

1. Corporate information

Procurri Corporation Limited (the "Company") is a public listed company incorporated and domiciled in Singapore. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 July 2016. Novo Tellus Capital Partners Private Ltd., with its co-investor, A.C.T. Holdings Pte Ltd, is the largest shareholder of the Group with a 29.62% stake.

The registered office and principal place of business of the Company is located at 29 Tai Seng Avenue, #02-01 Natural Cool Lifestyle Hub, Singapore 534119.

The principal activities of the Group are those of sales and rental of computer hardware and peripheral equipment, provision of independent maintenance services and IT Lifecycle Services, including IT asset disposal, repair services, and data center services.

2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore Dollars (SGD or $) which is the Company's functional currency, and all values are rounded to the nearest thousand ($'000), unless otherwise indicated.

2.1 Changes in accounting policies

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2. Use of judgements and estimates

In preparing the condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are as follow:

- Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

• Inventories write-down

Inventory is stated at the lower of cost and net realisable value ("NRV"). The Group's inventories mainly consist of computer hardware and peripheral equipment, which are subject to risk of obsolescence due to technological advancements or changes in consumers' preferences. The determination of inventories write-down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of write-down required.

• Impairment assessment of goodwill and cost of investment in subsidiaries

The Group's goodwill and the Company's cost of investment in subsidiaries are subjected to impairment assessment. Management assesses goodwill impairment annually. For cost of investment in subsidiaries, management performs an assessment to ascertain whether indicators of impairment are present. For impairment assessment, management uses a discounted cash flow model which involves significant judgement in estimating the recoverable values of these assets. Any shortfall of the recoverable values against the carrying amounts of these assets will be recognized as impairment losses. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:

- Segment 1: Hardware, Lifecycle Services and IT Asset Disposition ("HW and ITAD") business includes revenue derived from (i) Hardware Resale, which comprises income derived from the distribution of IT hardware, including but not limited to pre-owned servers, storage and networking equipment; (ii) Supply Chain Management, where income is derived from assisting OEMs in the distribution of their goods as part of their supply chain activities; (iii) the provision of service to extend the life of IT equipment while extracting the highest possible value for retired technology, by means of equipment refurbishment, data destruction services, and other lifecycle services to help our customers yield greater corporate and environment sustainability; and (iv) flexible, non-speculative trading in volume, at high velocity and higher conversion rates to execute a transaction ("ITAD Arbitrage").

- Segment 2: Third Party Maintenance ("TPM") business includes revenue derived from renewable maintenance contracts (i) where we provide the rendering of IT maintenance services for a variety of IT systems and networks; (ii) sales of maintenance parts tied to systems on the renewable contract and (iii) professional services tied to systems on the renewable contracts.

Management monitors the operating results of its segments separately for the purpose of making decision 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.

The following table presents revenue and timing of transfer of goods or services for the Group's operating segments for the six months ended 30 June 2021 and 2020, respectively:

	Hardware, Lifecycle Services and IT Asset Disposition		Third Party Maintenance		Total	
	1H2021	1H2020	1H2021	1H2020	1H2021	1H2020
	$'000	$'000	$'000	$'000	$'000	$'000
Major revenue stream						
Sale of goods	88,154	72,111	2,268	2,775	90,422	74,886
Rendering of services	6,477	6,374	27,098	29,244	33,575	35,618
Equipment rental and leasing	1,909	-	-	-	1,909	-
	96,540	78,485	29,366	32,019	125,906	110,504

Geographical information

The following table presents revenue and non-current assets information based on the geographical location of customers and assets as at 30 June 2021 and 2020 respectively:

	1H2021	1H2020	Increase / (decrease)
	$'000	$'000	%
Geographical information by revenue			
Singapore	4,725	7,188	(34.3)
EMEA	51,449	42,520	21.0
Americas	67,357	58,811	14.5
Others	2,375	1,985	19.6
	125,906	110,504	13.9

	30-Jun-21	31-Dec-20	Increase / (decrease)
	$'000	$'000	%
Geographical information by non current assets			
Singapore	712	1,049	(32.1)
EMEA	13,936	13,805	0.9
Americas	4,309	5,353	(19.5)
Others	2,229	2,282	(2.3)
	21,186	22,489	(5.8)

Non-current assets information presented above consist of plant and equipment, right-of-use assets and intangible assets as presented in the condensed interim consolidated balance sheets.

5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020:

	The Group		The Company	
	30-Jun-21	31-Dec-20	30-Jun-21	31-Dec-20
	$'000	$'000	$'000	$'000
Financial assets				
Finance lease receivables	478	509	-	-
Cash and bank balances and trade and other receivables (Amortised cost)	69,759	67,264	31,325	32,568
	70,237	67,773	31,325	32,568
Financial liabilities				
Trade and other payables and borrowings (Amortised cost)	41,053	48,234	2,086	3,682

6. Profit before taxation

6.1. Significant items

	The Group	
	1H2021	**1H2020**
	$'000	$'000
Income		
Interest income	4	46
Others	2,452	5,474
Expenses		
Fair value adjustment on financial liability	-	188
Allowance for trade receivables	(144)	(300)
Allowance for stock obsolescence	(4,636)	(2,673)
Interest expense	(344)	(652)
Depreciation of plant and equipment	(604)	(3,174)
Depreciation of right-of-use assets	(1,385)	(1,363)
Amortisation of intangible assets	(135)	(401)
Foreign exchange loss/(gain), net	670	648
Loss/(gain) on disposal of plant and equipment	(52)	-

6.2. Related party transactions

There are no material related party transactions apart from those disclosed elsewhere in the financial statements.

7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	The Group	
	1H2021	**1H2020**
	$'000	$'000
Current income tax (credit)/expense		
Deferred income tax (credit)/expense relating to origination and reversal of temporary differences	(752)	1,230
	(133)	148
	(885)	1,378

8. Dividends

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

9. Net Asset Value

	The Group		The Company	
	30-Jun-21	**31-Dec-20**	**30-Jun-21**	**31-Dec-20**
Net asset value per share (cents)	18.95	17.88	24.68	24.62
Number of shares in issue ('000)	294,238	293,687	294,238	293,687

10. Intangible assets

The Group	Goodwill	Customer relationship	Technical know-how	Software	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 January 2020	12,006	946	2,598	1,367	16,917
Exchange differences	-	-	-	(35)	(35)
At 31 December 2020 and 1 January 2021	12,006	946	2,598	1,332	16,882
Exchange differences	457	-	-	(12)	445
At 30 June 2021	12,463	946	2,598	1,320	17,327
Accumulated amortisation and impairment:					
At 1 January 2020	-	946	2,078	206	3,230
Amortisation charge for the year	-	-	520	279	799
Impairment loss	350	-	-	-	350
Exchange differences	-	-	-	(25)	(25)
At 31 December 2020 and 1 January 2021	350	946	2,598	460	4,354
Amortisation charge for the period	-	-	-	135	135
Exchange differences	-	-	-	(25)	(25)
At 30 June 2021	350	946	2,598	570	4,464
Net book value:					
At 31 December 2020	11,656	-	-	872	12,528
At 30 June 2021	12,113	-	-	750	12,863

The Group performed its annual impairment test in December and when circumstances indicated that the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations. The key assumptions used to determine the recoverable amount for the different cash generating units were disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

11. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired assets amounting to $148,000 (30 June 2020: $997,000) and disposed of assets amounting to $0 net book value (both 30 June 2021 and 30 June 2020).

12. Inventories

During the six months ended 30 June 2021, the Group wrote down S$4,636,000 (30 June 2020: S$2,673,000) of inventories. This expense is included in cost of sales in the statement of profit or loss. The carrying amount of inventories stated at the lower of cost and NRV as at 30 June 2021 was S$24,914,000 (30 June 2020: S$26,035,000).

13. Trade and other receivables

The Group's trade receivables and allowance for expected credit loss of trade receivables as at 30 June 2021 was S$42,360,000 (31 December 2020: S$33,499,000) and S$1,627,000 (31 December 2020: S$1,716,000) respectively.

14. Borrowings

	The Group	
	30-Jun-21	**31-Dec-20**
	$'000	$'000
Amount repayable within one year or on demand		
Secured	5,234	12,880
Unsecured	2,023	3,352
Amount repayable after one year		
Secured	2,212	2,796
Unsecured	1,000	2,000

15. Share capital

	The Group and the Company			
	30-Jun-21		**31-Dec-20**	
	Number of shares '000	Amount $'000	Number of shares '000	Amount $'000
Beginning of interim period	293,687	74,541	284,689	71,703
Issue of ordinary shares by virtue of exercise of share opt	551	154	8,998	2,838
End of interim period	294,238	74,695	293,687	74,541

16. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

Other Information Required by Listing Rule Appendix 7.2

1 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.

(i) 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 2021	293,687	74,541
As at 30 June 2021	294,238	74,695

B) Share options – employee share option scheme

Between 1 January 2021 and 30 June 2021, the Company did not issue any shares under the employee share option scheme.

As at 30 June 2021, there were no outstanding options under the employee share option scheme (30 June 2020: NIL).

C) Performance share plan

Between 1 January 2021 and 30 June 2021, the Company granted 89,600 shares under the performance share plan.

As at 30 June 2021, the number of shares comprised in outstanding awards granted under the performance share plan was 616,900 (30 June 2020: 1,078,700).

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 2021 and 30 June 2020.

ii 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 2021 was 294,237,973 (30 June 2020: 284,689,573). The Company has no treasury shares.

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.

Not applicable as the Company does not have treasury shares.

iv 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 Review

The condensed consolidated statement of financial position of Procurri Corporation Limited and its subsidiaries as at 30 June 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

3 Review of performance of the Group

Review of performance – 1H2021 vs 1H2020

	1H2021	1H2020	Change %
Revenue* ($'000)			
Hardware, Lifecycle Services and IT Asset Disposition	96,540	78,485	23.0
Third Party Maintenance	29,366	32,019	(8.3)
Total	**125,906**	**110,504**	13.9
Gross Profit ($'000)			
Hardware, Lifecycle Services and IT Asset Disposition	19,108	14,568	31.2
Third Party Maintenance	10,462	18,379	(43.1)
Total	**29,570**	**32,947**	(10.2)
Gross Profit Margin (%)			
Hardware, Lifecycle Services and IT Asset Disposition	19.8	18.6	1.2
Third Party Maintenance	35.6	57.4	(21.8)
Total	**23.5**	**29.8**	(6.3)

*The Group reorganised its business segments at start of the year – from 2 business segments of 1) IT Distribution and 2) Lifecycle Services into 2 business segments of 1) Hardware, Lifecycle Services and IT Asset Disposition ("HW and ITAD")

and 2) Third Party Maintenance ("TPM"). The HW and ITAD business segment comprises offerings that used to be reported under Lifecycle Services.

The Group's revenue increased by 13.9% from S$110.5 million in 1H2020 to S$125.9 million in 1H2021. The HW and ITAD business segment's revenue increased by 23.0% from S$78.5 million in 1H2020 to S$96.5 million in 1H2021, attributable to the better performance from the North and South Americas (the "Americas") and the Europe (including the United Kingdom), the Middle East and Africa ("EMEA"). The revenue from the TPM business segment decreased by 8.3% from S$32.0 million in 1H2020 to S$29.4 million in 1H2021, mainly due to the lower contribution from the Americas and the Asia Pacific.

The Group's overall gross profit decreased 10.2% from S$32.9 million in 1H2020 to S$29.6 million in 1H2021 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 29.8% in 1H2020 to 23.5% in 1H2021. 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.

The Group recorded S$2.4 million in government support programs relating to Covid-19 pandemic and included the recognition of the loans forgiven under the Paycheck Protection Program (the "PPP") in 1H2021 as compared to S$5.0 million in 1H2020. 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. As a result, other income decreased from S$5.5 million in 1H2020 to S$2.5 million in 1H2021. Other credits decreased by S$0.1 million, from S$0.8 million in 1H2020 to S$0.7 million in 1H2021, mainly due to the fair value adjustment on financial liability in 1H2020. 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.

Selling expenses increased by S$3.4 million, from S$9.8 million in 1H2020 to S$13.2 million in 1H2021 mainly due to the reclassification of some employees' salaries from admin expenses to selling expenses.

Administrative expenses decreased by S$6.9 million, from S$24.6 million in 1H2020 to S$17.6 million in 1H2021, mainly due to the decrease in staff cost. Staff cost decreased 36.6% year-on-year mainly from the lower headcount and the reclassification of some employees' salaries to selling expenses. Total staff cost excluding sales commission decreased by 15.9% from S$19.2 million in 1H2020 to S$16.2 million in 1H2021.

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

Other charges decreased by S$0.1 million, from S$0.3 million in 1H2020 to S$0.2 million in 1H2021, mainly due to the decreased in allowance for trade receivables.

As a result of the above, the Group recorded a pre-tax profit of S$1.4 million in 1H2021. The Group recorded an income tax credit of S$0.9 million in 1H2021 as compared to income tax expense of S$1.4 million in 1H2020 as a result of reversal of over provision of income tax relating to Covid-19 pandemic loans forgiven under the Paycheck Protection Program (the "PPP"). Profit after tax stood at S$2.3 million in 1H2021.

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 of S$0.9m in both 1H2020 and 1H2021.

Review of financial position

Non-current assets

(a) Plant and equipment decreased by S$0.4 million from S$3.0 million as at 31 December 2020 to S$2.6 million as at 30 June 2021. The decrease was mainly due to the depreciation charges of S$0.6 million, partially offset by the addition.

(b) The right-of-use assets decreased by S$1.3 million from S$7.0 million as at 31 December 2020 to S$5.8 million as at 30 June 2021. The decrease was mainly due to the depreciation charges.

(c) Intangible assets increased by S$0.3 million, mainly due to the translation gain on the balance of intangible assets as at 30 June 2021, partially offset by the amortisation charge. The intangible assets were primarily denominated in foreign currencies.

(d) Finance lease receivables (both current and non-current) stood at S$0.5 million as at 30 June 2021. The repayments were partially offset by the new leases secured during the period.

Current assets

(e) Inventories decreased by S$1.1 million from S$26.0 million as at 31 December 2020 to S$24.9 million as at 30 June 2021 as a result of the improvement in inventory management.

(f) Trade and other receivables increased by S$12.2 million to S$46.8 million as at 30 June 2021, mainly due to the increase in revenue and average age of the receivables.

(g) Prepayments increased by S$1.2 million mainly due to higher advance payments made to suppliers.

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

Liabilities

(i) Trade and other payables increased by S$3.4 million to S$30.6 million as at 30 June 2021.

(j) Deferred income (both current and non-current) principally comprised deferred maintenance revenue from signed maintenance contracts. Deferred income records increased by S$5.0 million from S$18.9 million as at 31 December 2020 to S$23.9 million as at 30 June 2021 as a result of higher value of signed maintenance contracts in 1H2021.

(k) The loans and borrowings (both current and non-current) decreased by S$10.6 million, from S$21.0 million as at 31 December 2020 to S$10.5 million as at 30 June 2021. The decrease 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 repayment.

Net working capital position

The Group recorded a higher positive working capital of S$42.5 million as at 30 June 2021 compared to S$39.1 million as at 31 December 2020.

Review of cash flows

Net cash generated from operating activities in 1H2021 amounted to S$2.3 million as compared to S$18.9 million in 1H2020. The decrease was mainly due to the lower operation cash flow before changes in working capital, increase in trade and other receivables, inventories and prepayment amounting to S$9.5 million, S$3.6 million and S$1.2 million. This was partially offset by the increase in deferred income and trade and other payables of S$5.0 million and S$3.4 million respectively.

Net cash generated from investing activities amounted to S$1.2 million in 1H2021 as compared to S$3.1 million in 1H2020. The cash generated in 1H2021 was mainly due to the maturity of fixed deposit of S$1.3 million, partially offset by the purchase of plant and equipment of S$0.1 million.

Net cash used in financing activities in 1H2021 amounted to S$12.4 million as compared to S$16.1 million in 1H2010. The cash used in financing activities in 1H2021 was mainly due to the repayment of borrowings of S$77.6 million, lease liabilities of S$1.2 million and the interest paid of S$0.3 million, partially offset by the proceeds from borrowings of S$66.7 million.

4 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.

5 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 continues to see multi-year growth prospects in its core global enterprise IT market, accelerated by the global shift to cloud/edge computing and growing enterprise commitments to sustainable IT.

Enterprise IT market growth

The COVID-19 pandemic has accelerated the reliance of enterprises on cloud platforms for global operations, business continuity, risk management, and growth through digitalization. The multi-year adoption of digital business continues, and worldwide end-user spending on public cloud services is now forecasted to grow 23.1% in 2021 to total US$332.3 billion, up from US$270.0 billion in 2020.

The Group believes that the rising demand for enterprise IT hardware should continue to benefit the Group, providing growing opportunities for the Group to grow its customer base as well as depend spend with existing customers.

Growth in sustainable IT

The Group believes that leading enterprises globally will continue to increase their commitment to sustainable business and sustainable IT.

A recent global survey from NAVEX Global highlighted that 81% of companies globally have ESG initiatives in place, with 64% expecting to increase ESG spend in the next year.

The Group has seen a marked increase in interest from enterprise customers and channel partners looking to buy refurbished equipment, extending lifespan through TPM, and/or dispose of IT equipment sustainably as part of an overall customer commitment to sustainability.

The Group expects demand from sustainable enterprise to continue growing in the coming years.

Growing long-term market opportunity

In the last 9 months, the Group has embarked on a large-scale strategic transformation to grow its long-term market opportunity. The program is expected to run through the rest of 2021.

Initiatives underway include:

- Concentrating strategic focus on growing in the ITAD market, deepening TPM service capabilities, and expanding large global customer accounts;
- Completing a global corporate reorganisation into growth-focused business units for IT hardware and ITAD, TPM, and global accounts;
- Upgrading operations to increase automation, grow global infrastructure, and increase business intelligence to increase access to the Group's global markets; and
- Upgrading financial reporting to enable higher levels of business intelligence reporting, forecasting visibility, and cost management.

[1] Gartner Forecasts Worldwide Public Cloud End-User Spending to Grow 23% in 2021, Gartner, 21 April 2021
https://www.gartner.com/en/newsroom/press-releases/2021-04-21-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-grow-23-percent-in-2021
[2] See https://www.navexglobal.com/en-us/company/press-room/media-coverage/strong-esg-adoption-across-public-private-companies-navex-survey
[3] ESG is a conventional acronym for Environmental, Social and Governance

6 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.

7 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.

8 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 29 April 2021.

9 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

10 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 2021 to be false or misleading in any material aspect.

11 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
2 August 2021