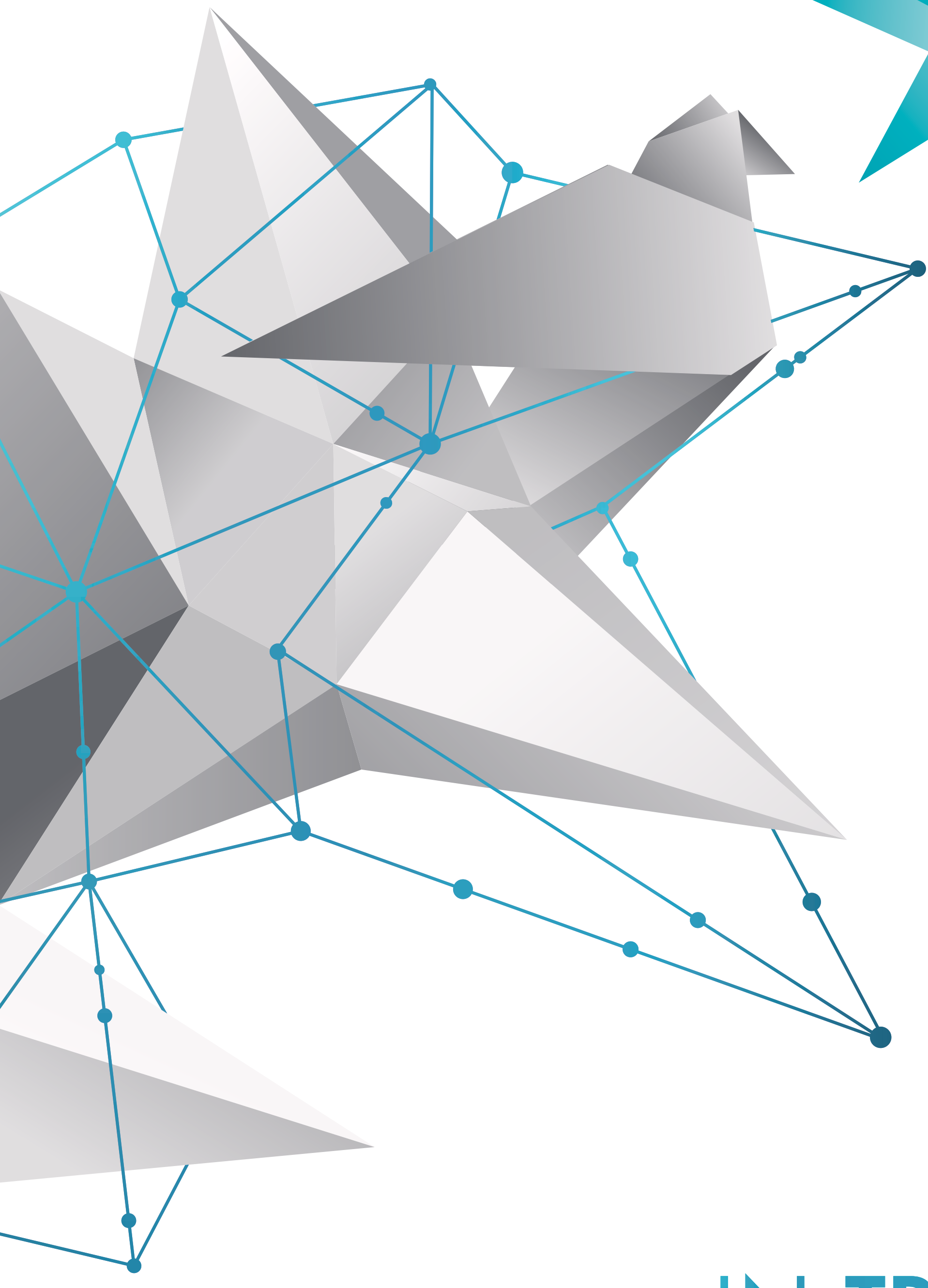
PROCURRI



IN TRANSITION
ANNUAL REPORT 2017

VISION

To unlock opportunities in the IT industry by changing the way the world buys technology through a sharing platform

MISSION

To be the global aggregator of enterprise hardware and services to our channels, offering a converged network that combines the technology, finance and logistics domains

Discover more about Procurri online:
www.procurri.com

In line with Procurri's goal to build up a stronger stream of predictable and sustainable earnings in the long-term, Procurri has been undergoing a transitional phase to harness embedded synergies. The origami concept represents a form of flexibility, while the blue grids showcase the Group's extensive global network. Through a series of hard work, the origami eventually transits into flying birds, agile and ready to soar.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL REPORT & OTHER INFORMATION

OUR **CORE VALUES**

EXCELLENCE

When it comes to customer service, partnership formation and innovation, there is only one global standard that we strive for – Excellence. Our pursuit of excellence showcases our conscientious effort to go above and beyond for our customers, offering true value to them. This is how we secure their trust and loyalty, establishing a solid reputation in the industry.

INNOVATION

A key driver of Procurri's success and growth is our ability to continuously deliver solutions that are based on our clients' needs across a breadth of industries. Every employee is constantly seeking new and innovative solutions that will better serve the needs of our customers and partners. Creativity, dare-to-experiment and thinking-out-of-the-box are all traits we value.

COMMITMENT

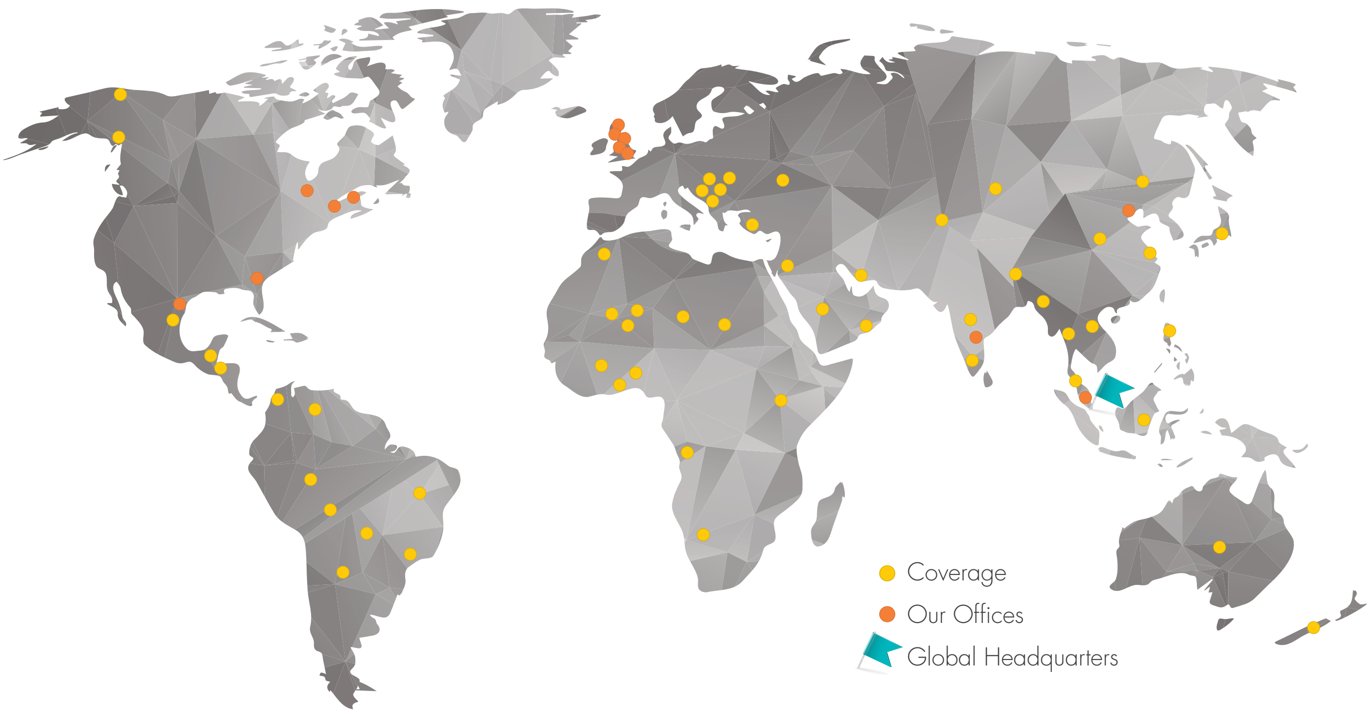
As domain experts, we take pride in being accountable for everything that we do at Procurri. We make it a personal commitment to deliver the best results, be it packing a server or managing a project. Our dedication is exemplified through our consistent quality service delivery, which resonates throughout our organisation globally.

INTEGRITY

Honesty and transparency are central to everything we do. We hold ourselves to the highest ethical standards to form long-term, sustainable relationships with our clients, partners and vendors that are built upon trust. We believe that integrity and ethics are key in shaping a stellar reputation in the long run.

GROUP **OVERVIEW**

Headquartered in Singapore, Procurri is a leading global independent provider of IT lifecycle services and data centre equipment. We aim to be the global aggregator of IT services and enterprise hardware to our channels, offering a converged network and sharing platform that combines the technology, finance and logistics domains that change the way the world buys technology.



100+
COUNTRIES UNDER COVERAGE

14
OFFICES

6
REGIONAL WAREHOUSES

790+
FORWARD STOCKING LOCATIONS

3,100+
CLIENTS GLOBALLY

400+
EMPLOYEES

With a proven track record in solving data centre challenges across all major industries, coupled with a single-minded approach in support and service delivery, Procurri's commitment to business excellence is underscored by our worldwide footprint, sound methodology, highly-experienced professionals and process-driven support infrastructure.

LIFECYCLE SERVICES

INDEPENDENT MAINTENANCE SERVICES

With our multi-vendor expertise in extending maintenance support for new, out-of-warranty and end-of-life IT equipment, our global team of product-certified engineers ensures a consistent level of service worldwide from a single point of contact.

HARDWARE-AS-A-SERVICE

An asset-light approach to IT infrastructure, Hardware-as-a-Service provides on-demand computing resources through leasing or rental options, thereby converting the cost of IT equipment ownership from capital expenditure to operating expenditure.

IT ASSET DISPOSITION

Tapping on a holistic suite of services that cover assessment, verification, recovery, refurbishment and reconfiguration, IT Asset Disposition enables clients to prolong equipment lifespan through reuse, remarket assets via Hardware Resale, or retire equipment with certified data sanitisation and e-waste disposal services.

IT DISTRIBUTION

HARDWARE RESALE

Adopting a vendor-agnostic approach, whether it is new resale, pre-owned, hard-to-find or end-of-life hardware, we offer flexible options to buy, sell or consign data centre equipment from all major IT brands.

SUPPLY CHAIN MANAGEMENT

Through a comprehensive inventory management system supported by state-of-the-art facilities, our end-to-end Supply Chain Management helps to achieve improved logistics management and distribution efficiencies.

2017 **AT A GLANCE**

CORPORATE DEVELOPMENTS

Joint venture between Procurri LLC and Congruity LLC to form **ROCKLAND CONGRUITY LLC** in the United States of America

Incorporation of **PROCURRI INDIA PRIVATE LIMITED** in Bangalore, India

CHANNEL PARTNERSHIPS

Lenovo Data Center Partner **– GOLD LEVEL**
(Procurri Singapore Pte. Ltd.)

HPE Replacement Parts **BUSINESS PARTNER**
(the Americas & Europe, Middle East & Africa regions)

Blancco ITAD **GOLD PARTNER**
(Asia-Pacific)

Oracle PartnerNetwork **GOLD LEVEL PARTNER**
(Procurri Singapore Pte. Ltd.)

IBM **SILVER BUSINESS PARTNER**
(Procurri Singapore Pte. Ltd. & Procurri Europe Limited)

NetApp **SILVER PARTNER**
(Procurri Europe Limited)

AWARDS & ACCOLADES

GARTNER FEATURES

Competitive landscape: partnering with third-party maintenance providers for data center and network maintenance cost optimization

Lower both storage acquisition and ownership costs by using third-party maintenance

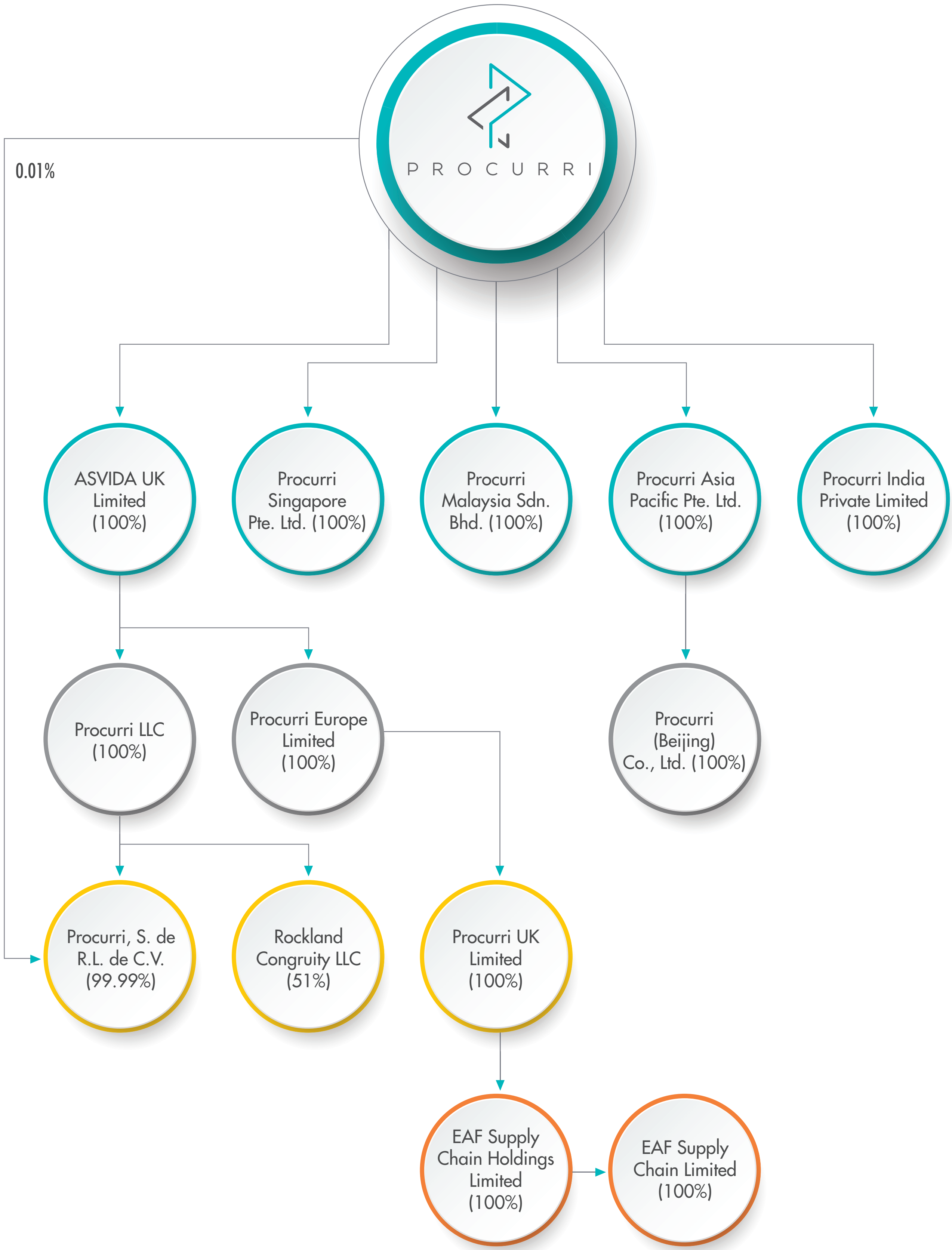
Market guide for IT asset disposition

The Channel Company
2017 SOLUTION PROVIDER 500 LIST

The Channel Company
2017 FAST GROWTH 150 LIST

The Atlanta Journal-Constitution
TOP 150 WORKPLACES 2017

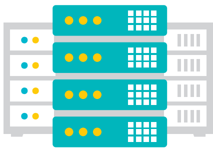
GROUP **STRUCTURE**



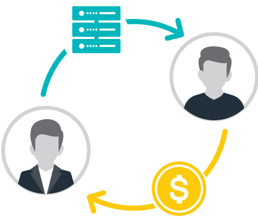
EMERGING **INDUSTRY TRENDS**

Increasing acceptance of the secondary IT equipment market with more Original Equipment Manufacturers ("OEM") endorsing the sale of certified refurbished or excess equipment

Emphasis on use of certified genuine replacement parts to prevent equipment failure and data centre downtime



A strong shift towards open server architecture with a preference for vendor-agnostic service providers



Increasing importance of return on investment and impact of depreciation from IT infrastructure, driving the shift from capital expenditure ("capex") to operating expenditure ("opex") based models

Traditional intermediary roles of OEMs, Value-Added Resellers and System Integrators have changed, leading to industry consolidation

Shift in industry dynamics where only players with operational size and geographical reach can compete effectively to capture a meaningful market share

TRANSITION TO **STRATEGY COMPLETE**

Amidst the ever-evolving IT landscape, we have remained focused on anchoring our position as the global aggregator of IT services and enterprise hardware. With our Strategy Complete goal in sight, we have identified four key pillars to transform our operations and develop our business segments.

REACHING STRATEGY COMPLETE

CEMENTING THE GROUP'S CREDIBILITY

Forge strategic partnerships with OEMs and capitalise on our authorised partner statuses to expand the Group's product lines and unlock cross-selling opportunities

GROWING HIGHER-MARGIN LIFECYCLE SERVICES SEGMENT

Leverage the "as-a-service" trend and ramp up our Lifecycle Services business to provide greater income predictability and sustainable earnings

EXPANDING MARKETS AND ENLARGING CUSTOMER BASE

Tap on newly-acquired capabilities to strengthen Procurri's brand name, suite of services and enlarge our customer base, while exploring potential earnings-accretive acquisition opportunities

IMPROVING INTERNAL EFFICIENCIES & HARNESSING ECONOMIES OF SCALE

Continue rigorous cost control efforts and harness economies of scale from the improved centralised purchasing processes

MESSAGE FROM THE **CHAIRMAN & GLOBAL CEO**

WE REMAIN COMMITTED TO **DELIVERING SHAREHOLDER VALUE**, STARTING WITH THE GROUP'S RETURN TO PROFITABILITY BY FY2018.

SEAN MURPHY
CHAIRMAN AND GLOBAL CEO

MESSAGE FROM THE **CHAIRMAN & GLOBAL CEO**

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors (the "Board") of Procurri Corporation Limited ("Procurri" and together with its subsidiaries, the "Group"), I am pleased to present our annual report for the financial year ended 31 December 2017 ("FY2017").

FINANCIAL PERFORMANCE

It has been a fruitful yet challenging year for Procurri. We celebrated some achievements, and dodged some curve balls.

Our top line benefitted from higher contributions by both the IT Distribution and Lifecycle Services business segments as we made significant headway to capture new market share through strategic partnerships. Revenue for FY2017 increased 33.9% to S$181.8 million from S$135.8 million a year ago ("FY2016"), while gross profit grew 28.1% to S$59.0 million.

The Group incurred a net loss after tax of S$2.7 million, largely due to our prudent approach towards the provision of stock obsolescence and doubtful debts.

Notably, the Group turned cash flow positive, generating S$13.4 million from operating activities in FY2017, compared to a net cash outflow of S$0.6 million in FY2016.

CORPORATE AND INDUSTRY DEVELOPMENTS

FY2017 was a year rich in significance for Procurri. In January 2017, we formed a 51%-owned company, Rockland Congruity LLC ("Rockland") in the United States of America (the "USA") to spearhead the Group's global storage maintenance services and grow our high-margin recurring income. With EAF Supply Chain Holdings Limited ("EAF") on board in November 2016, we concurrently streamlined EAF's operations to bring it back to profitability, while we consolidated our operations in the Europe, Middle East and Africa ("EMEA") region into a single entity, Procurri Europe, for optimal cost efficiency. The Global Parts Centre ("GPC"), established towards the end of 2016, has further helped standardise service delivery methodology across our international footprint.

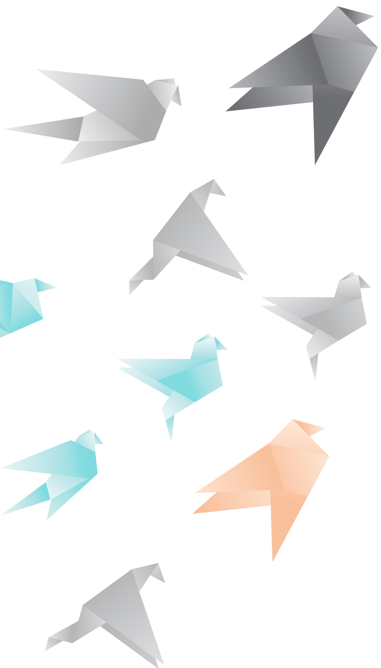
On a macro level, we are witnessing major revolutions in our operating landscape. Globally, there is increasing acceptance of the secondary IT equipment market with more Original Equipment Manufacturers ("OEM") endorsing the sale of certified refurbished or excess equipment. Meanwhile, the industry continues to consolidate through mergers and acquisitions as key players now realise the need to achieve scale in terms of operational size and geographical reach to capture a meaningful market share.

With the confluence of favourable shifts in market dynamics and our boosted service capabilities, it was an opportune time for us to regroup our strengths and start the new year on a strong footing. Subsequent to the financial year-end, the management identified four major strategies to sharpen our value proposition, which we disclosed in a Corporate and Business Update on 30 January 2018. These include cementing the Group's credibility in the used equipment market, aiming to grow the higher-margin maintenance business to contribute 50% of the Group's total gross profit ("GP"), expanding markets and enlarging customer base, as well as improving internal efficiencies and harnessing economies of scale.

GO FORWARD STRATEGIES

Building on our leadership as one of a few independent vendors with a global footprint, we secured important agreements with two tech giants. First, Procurri is one of nine qualified resellers of Cisco Excess, which grants us the power to resell Cisco's excess used hardware within the secondary market. Second, we became the first and only authorised partner under Hewlett Packard Enterprise's ("HPE") Replacement Parts Business programme who can deliver genuine, high quality HPE spares with manufacturer warranties in the Americas and EMEA regions. We are hopeful about sealing this partnership with HPE in the Asia-Pacific region as well, which will position us as the only partner worldwide to be appointed in three geographical regions. With more OEMs initiating their resale and partner programmes, Procurri will cement its credibility in the hardware resale industry as it continues to be accredited by more of such Tier-1 tech giants as their approved channel for genuine hardware.

MESSAGE FROM THE **CHAIRMAN & GLOBAL CEO**



Since the second quarter of 2017, our business model in the Americas has shifted away from being primarily based on outsourcing to one which is integrated with in-house maintenance servicing capabilities. As such, we adopted a straight-line recognition for maintenance services revenue in the USA, as required by the financial reporting standards. Although this impacted revenue recognition in FY2017, it has created an order book which has improved our earnings visibility. Since then, our order book has strengthened to S$22.4 million, up from S$5.9 million a year ago. Given the predictability and sustainability of this recurring revenue from the Lifecycle Services business segment, the Group strives to grow this segment to eventually contribute half of our total GP by 2022.

With rapid cloud adoption taking place, enterprises are increasingly in need of vendors who can support them across multiple IT brands and geographical boundaries. Through our global footprint of 14 offices servicing over 100 countries, Procurri has emerged as one of five independent service providers who can offer a turnkey consolidated solution that matches the enterprises' needs at a competitive price with flexible options. This is how we secured a multi-country contract to handle the maintenance of mission-critical enterprise hardware in the United Kingdom and six Asia-Pacific countries for a European pharmaceutical giant, validating our strategy to provide local support, globally. While we continue to gain a beachhead in our existing markets, we remain on the look-out for potential earnings-accretive acquisitions to deepen our presence in other major markets, such as Western Europe.

As we scale up our global presence and business volume, the GPC will be vital in centralising our purchasing processes to achieve economies of scale through volume procurement. With most of our near-term expansion completed, we will work on enhancing Group-wide internal and operational efficiencies to contain administrative expenses in the financial year ending 31 December 2018 ("FY2018").

BOARD CHANGES

On 27 April 2017, Mr Vesmond Wong stepped down as Procurri's Non-Executive Chairman. Mr Wong has played an instrumental role in Procurri's growth, including our initial public offering ("IPO") in July 2016, and I wish to convey a special word of thanks for his valuable contributions and counsel all these years.

Our Non-Executive Director Mr Lim Swee Yong will not be seeking re-election at our upcoming Annual General Meeting in April 2018. I would also like to express my appreciation to Mr Lim for his commitment and contributions to Procurri's growth journey.

I would like to take this opportunity to welcome Mr Edward John Flachbarth who was appointed Executive Director on 27 April 2017. Mr Flachbarth remains as the Global President of Procurri, a position he has held since 2014.

OUTLOOK

The FY2017 financial performance notwithstanding, we have laid a firm foundation for future growth. The strategies outlined will position us for new opportunities in the broader data centre equipment market as we secure more authorised partnerships with OEMs. We are now at an inflexion point as Procurri transits into a stronger global player to capture a meaningful share of the US$34.8 billion secondary IT equipment market.[1]

We remain committed to delivering shareholder value, starting with the Group's return to profitability by FY2018.

APPRECIATION

On behalf of the Board, I would like to extend my deepest appreciation to our customers, business partners and shareholders for your continued support and commitment to Procurri. To our management team and our employees all around the world, whom I affectionately call my fellow "Procurrians", thank you for your dedication and hard work.

In Appreciation,

SEAN MURPHY
Chairman and Global CEO

[1] Independent Market Research on the Hardware Resale and Independent IT Maintenance Market by Frost & Sullivan, 15 June 2016, as published in Procurri's IPO Prospectus Appendix I

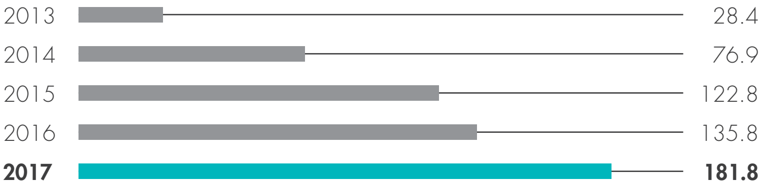
5-YEAR **FINANCIAL HIGHLIGHTS**

Financial year ended 31 December	2017	2016	2015	2014	2013
Income Statement (S$'000)					
Revenue	**181,822**	135,750	122,814	76,901	28,400
Gross Profit	**58,968**	46,037	41,622	24,368	9,323
EBITDA	**6,914**	12,776	13,571	6,820	2,963
Profit before Tax	**(2,276)**	7,614	9,997	4,008	1,656
Net Profit after Tax	**(2,749)**	5,139	8,772	3,266	1,953
Balance Sheet (S$'000)					
Inventories	**21,424**	15,641	11,168	7,645	3,259
Total Assets	**140,571**	117,081	81,367	83,440	16,638
Total Loans & Borrowings	**21,414**	18,087	18,516	16,636	3,105
Total Liabilities	**76,729**	49,999	47,043	52,656	8,705
Total Equity	**63,842**	67,082	34,324	30,784	7,933
Cash Flow (S$'000)					
Cash Flows from Operating Activities	**13,381**	(624)	4,963	1,683	(1,210)
Cash Flows from Investing Activities	**(26,254)**	(861)	(8,581)	(21,088)	418
Cash Flows from Financing Activities	**2,274**	23,654	1,665	23,502	1,357
Per Share Information (Singapore Cents)*					
Earnings per Share – Basic	**(0.98)**	2.12	4.34	2.33	91.88
Net Tangible Asset per Share	**17.73**	18.84	8.25	7.96	24.36
Net Assets Value per Share	**22.63**	23.96	16.26	15.56	24.36
Number of Shares ('000)	**282,057**	280,000	211,120	197,860	32,565
Ratios					
Debt-to-Equity Ratio	**0.05**	(0.18)	0.40	0.32	0.15
Current Ratio	**1.45**	2.09	1.29	1.23	1.52

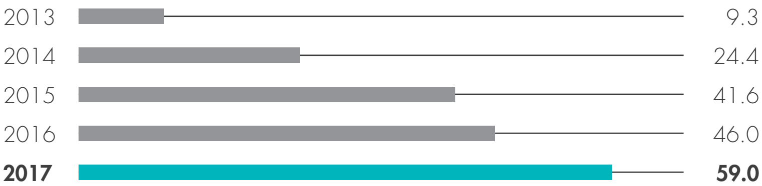
* As at 31 December of the respective years

FINANCIAL **HIGHLIGHTS**

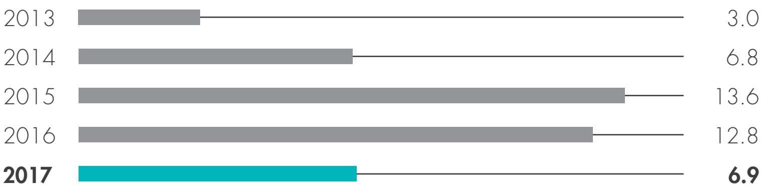
REVENUE (S$million)



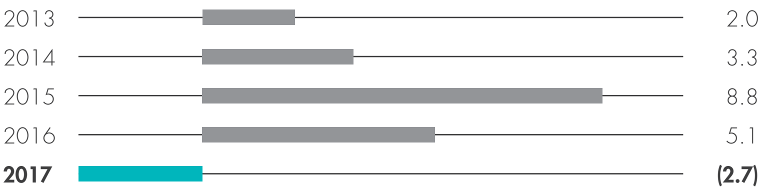
GROSS PROFIT (S$million)



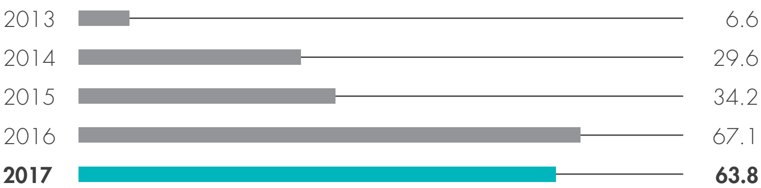
EBITDA (S$million)



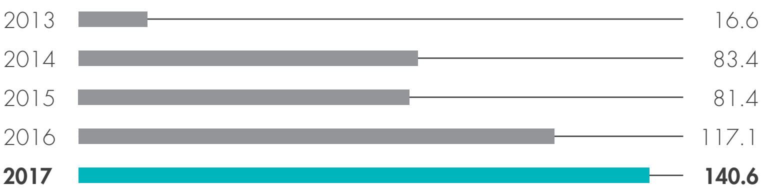
NET PROFIT AFTER TAX (S$million)



SHAREHOLDERS' EQUITY (S$million)



TOTAL ASSETS (S$million)



FINANCIAL **REVIEW**

FINANCIAL HIGHLIGHTS

Revenue rose 33.9% from S$135.8 million in FY2016 to S$181.8 million in FY2017 as both IT Distribution and Lifecycle Services businesses delivered robust top line growth. Geographically, the Group's Europe, Middle East and Africa ("EMEA") operations turned in a commendable 77.2% growth in revenue to S$66.3 million, contributing 36.5% to the Group's overall revenue. This was followed by the Americas, which achieved a respectable 35.6% increase in revenue to S$81.9 million, accounting for 45.1% of the Group's overall revenue. These increases were partly offset by an 11.5% decline in revenue from Asia-Pacific, which comprises Singapore and Others, to S$33.5 million or 18.4% of the Group's overall revenue.

The improvement in overall revenue validates the Group's underlying business fundamentals, which are built on Procurri's reputation as the preferred global independent vendor enabling the Group's channel partners and their corporate end users to better manage the shift to the cloud.

With the higher revenue, the Group's gross profit increased 28.1% to S$59.0 million in FY2017 from S$46.0 million in FY2016. Gross profit margin of 32.4% in FY2017 was slightly lower than a year ago but well within the Group's typical range of 30-35%.

Administrative expenses increased to S$47.9 million in FY2017 from S$27.4 million in FY2016 due mainly to higher staff costs, especially with the addition of Rockland Congruity LLC ("Rockland") and EAF Supply Chain Holdings Limited ("EAF"), and depreciation for the Group's Global Parts Centre in Singapore. The Group incurred a net loss of S$2.7 million in FY2017, largely due to its prudent approach towards the provision of stock obsolescence and doubtful debts.

REVENUE BY BUSINESS SEGMENT

77.2%
IT DISTRIBUTION

22.8%
LIFECYCLE SERVICES

GROSS PROFIT BY BUSINESS SEGMENT

65.5%
IT DISTRIBUTION

34.5%
LIFECYCLE SERVICES

REVENUE BY GEOGRAPHY

36.5%
EMEA

45.1%
AMERICAS

15.3%
SINGAPORE

3.1%
OTHERS*

* Others comprise rest of Asia-Pacific

IT DISTRIBUTION

Revenue from the IT Distribution business segment grew 32.0% to S$140.3 million in FY2017 from S$106.3 million in FY2016 on maiden full year contributions from EAF and Rockland. Accordingly, gross profit increased 22.7% to S$38.6 million in FY2017 from S$31.5 million in FY2016. However, gross profit margin decreased from 29.6% in FY2016 to 27.5% in FY2017 as the Group focused on capturing higher market share and volume albeit at the expense of short-term margin pressure.

LIFECYCLE SERVICES

Revenue from the Lifecycle Services business segment rose 41.0% to S$41.5 million in FY2017 from S$29.4 million in FY2016, driven by higher contributions from EMEA region, EAF and Rockland. Gross profit grew in tandem with an increase of 39.6% to S$20.4 million in FY2017 from S$14.6 million in FY2016. The decrease in gross profit margin from 49.6% in FY2016 to 49.1% in FY2017 was due to higher depreciation charges arising from the Global Parts Centre in line with the increased requirements of in-house maintenance support.

OPERATIONS REVIEW

ASIA-PACIFIC (APAC)

Revenue from our APAC operations (Singapore and Others) declined 11.5% from S$37.9 million in FY2016 to S$33.5 million in FY2017.

Nonetheless, Procurri made significant progress operationally in the APAC region over the year. Despite a 14.9% dip in revenue from the Lifecycle Services business segment to S$10.7 million, our position as the region's preferred independent maintenance and IT Asset Disposition ("ITAD") services partner has strengthened.

Building on a large contract with one of the world's largest pharmaceutical companies inked by our EMEA team in 2016, our APAC maintenance team successfully closed an additional annual hardware maintenance deal that will cover 260 multi-vendor enterprise equipment across six countries (Australia, China, India, Japan, Singapore and South Korea) in the region, further cementing our ability to deliver quality service seamlessly through our global network.

We strengthened our ITAD positioning in APAC when we became one of Blancco's only four ITAD Gold Partners in the APAC region. Building on this strong foundation, our APAC ITAD team successfully widened our original work scope for two major original equipment manufacturers ("OEM"). We now provide storage management services in Singapore and ITAD services in Malaysia for one of the OEMs, on top of their coverage for ITAD services in Singapore; for the other OEM, we now provide on-premise data erasure services in Singapore and have extended our ITAD coverage to India, Australia, New Zealand and Greater China, in addition to Singapore and Malaysia.

Revenue from the IT Distribution business segment declined 9.7% to S$22.8 million for FY2017 from S$25.3 million in FY2016, mainly due to lower sales volume in a slower operating environment.

Nonetheless, our APAC hardware brokerage team persevered on, expanding existing contracts to a wider geographical coverage while chasing for new account wins.

Following the successful incorporation of Procurri Beijing in 2016, we expanded our presence in Greater China with a small team in Hong Kong. Within a few months of its set up, the team won a noteworthy account to provide installation and maintenance services across Japan, Hong Kong, China and Singapore to support the APAC expansion of a shared workspace global company headquartered in the United States of America (the "USA").

Procurri's specialised enterprise team, formed in 2016 to cater to the emerging pay-as-you-use trend, also clinched several cross-border accounts in 2017. In one notable deal, we supplied a Japanese manufacturing conglomerate with servers in 11 APAC countries as part of their data replication and back-up requirements. The team also successfully expanded the multi-country deal inked with a renowned cloud service provider back in 2016, adding on enterprise hardware and services delivery to the United Kingdom (the "UK"), the USA and Germany in 2017.

During the year, we achieved several prestigious OEM accreditations, such as IBM Silver Business Partner, Oracle Gold Partner and Lenovo Data Center Gold Partner, building on our channel-centric strategy and testaments to our first-class service and technical expertise. We also hope to extend our existing partnerships in the Americas and EMEA regions with Hewlett Packard Enterprise ("HPE") under their Replacement Parts Business programme to this region, which will position Procurri as the first authorised partner to offer coverage for genuine HPE parts in the Americas, EMEA and the APAC regions.

OPERATIONS **REVIEW**

EUROPE, MIDDLE EAST & AFRICA (EMEA)

Driven by organic and acquisition growth, our EMEA operations delivered commendable results with revenue almost doubling to S$66.3 million in FY2017 from S$37.4 million in FY2016.

Our push towards Lifecycle Services has proven to be successful as our EMEA team achieved an 88.0% increase in revenue from S$4.7 million in FY2016 to S$8.8 million in FY2017.

Over the year, we deepened our engagement with our channel partners, especially with the global system integrators ("SI"), and gained greater traction in our Independent Maintenance Services. Leveraging the expertise from Rockland, we secured a contract through one of our large Indian SI partners to deliver storage maintenance in Germany for their customer, a global energy provider. We also won a three-year contract through one of our value-added reseller partners to deliver maintenance support for their customer in the financial industry for over 1,200 assets in the UK. In early 2018, we renewed a multi-country deal with one of the world's largest pharmaceutical companies, which increased the assets under our maintenance support from 600 to 1,000. The account, first won in 2016, exemplifies the reliability of our services and advantages of our global reach.

Maintaining efforts to ramp up our Lifecycle Services business, we continued to invest in technical training and talent acquisitions in the engineering unit in the past year. With this, we aim to provide better service to our customers and deliver more maintenance in-house instead of outsourcing support.

The IT Distribution business segment also did well, with a 75.6% increase in revenue from S$32.7 million in FY2016 to S$57.5 million in FY2017. In a calculated effort to strengthen our IT Distribution arm, we expanded our business partner accreditations to include NetApp and Riverbed in 2017, on top of our existing partnerships with HPE, IBM, Dell, Lenovo, Fujitsu and Xerox. These established partnerships position us as a one-stop shop for our clients' hardware needs, thereby allowing us to transition away from ad-hoc deals to play a bigger role in the planning and stocking of inventory for our customers.

To further grow our product offerings and revenue streams, we leveraged our strong relationship with IBM to have a mainframe team seconded to us for two years commencing 2017. This allowed us to increase our technical competencies, particularly for IBM's flagship Z series servers, and was instrumental in our successful win of two deals for Z series.

Operationally, one of our focuses for 2017 was to streamline EMEA's corporate structure through the completion of EAF's integration, as well as the consolidation of our UK entities under Procurri Europe by 2018. With the expanded suite of services and enlarged customer base, we believe Procurri's brand name will be strengthened in the EMEA region. In addition to cross-selling synergies, we also expect to capture greater cost efficiencies with the economies of scale gained from centralising administrative functions in 2018.

As part of our streamlining efforts, we have also closed our London satellite sales office with the team relocating to the Wokingham office. These initiatives are expected to translate into internal and operational cost improvements in FY2018. With the critical foundation to our success laid in 2017, our united EMEA entity is geared for a stronger 2018.

THE AMERICAS

Our Americas operations continued to do well with revenue up 35.6% to S$81.9 million in FY2017 from S$60.4 million in FY2016.

We raked in almost 2,500 new maintenance contracts in FY2017, five-fold of the over 500 new contracts in FY2016. Accordingly, revenue from the Lifecycle Services business segment grew 81.0% to S$21.9 million.

One notable services contract won in FY2017 was to decommission over 1,000 assets in a global data management company's data centre. Subsequently, the decommissioned equipment that can be refurbished for reuse will be sold through our Hardware Resale business, which fully showcases our expertise in providing end-to-end services via our IT eco-system of offerings.

Rockland, our joint venture with Massachusetts-based Congruity LLC, was a key driver of our Lifecycle Services business segment in FY2017, accounting for 31.4% of our total revenue from the Americas. In particular, a major maintenance contract Rockland secured during the year was with a Zurich-headquartered global financial services firm that will generate nearly US$6 million in revenue from 2017 to 2022. This contract was won through an OEM partner specialising in data storage, which again bears testimony to the success of our channel-centric strategy.

With the addition of Rockland, we made a conscious effort to start delivering more maintenance services through in-house expertise rather than outsourcing to third-party vendors, to better leverage the strength of Rockland's technical expertise particularly in storage maintenance. Accordingly, we started to recognise the Americas' maintenance services revenue in a straight-line method, which had a short-term impact on our financial performance, but cumulated in a strong order book of deferred revenue to be recognised over time.

Our IT Distribution business segment also did well, with revenue up 24.3% year-on-year to S$60.0 million in FY2017. In a bid to grow our share of the enterprise hardware resale market in the USA, we suffered some compression on this segment's gross profit margin. Nonetheless, we are confident that this margin pressure will ease when economies of scale kick in as our market share increases.

With the newly-realigned Channels team formed in 2016 to better manage vendor relationships, we pursued more strategic partnerships with several key OEMs, such as HPE, IBM and Dell, to resell certified refurbished or pre-owned equipment under their respective resale programmes. We also clinched a coveted position as one of only nine US-based vendors qualified to resell Cisco's used products in the secondary market, under their Cisco Excess Program. In addition, we are also HPE's first partner with the ability to provide access to genuine, manufacturer-warranted spare parts in the Amercias and EMEA regions under its Replacement Parts Business programme.

As a result, we greatly improved the diversity mix of our Hardware Resale revenue with HPE, Cisco and IBM becoming our top three OEM partners in terms of revenue contribution in FY2017.

Building on the success with a large reseller in North America, our Channels team went on to secure another important partnership with a USA-headquartered multi-billion dollar revenue global technology integrator. These strategic accounts are cornerstones for Procurri's sustained growth and will continue to play an important role as we scale our business.

SUSTAINABILITY

As a leading global player in the IT services and enterprise hardware industry, Procurri is aware of the importance of good corporate citizenship.

The ethos of our business is deeply entrenched in the three Ps of the Triple Bottom Line – People, Planet and Profit – coined by John Elkington, a world authority on corporate responsibility and sustainable development. Our Hardware Resale business encourages the use of pre-owned or refurbished equipment and our Independent Maintenance Services business enables companies to prolong the lifespan of their enterprise hardware, while our IT Asset Disposition business empowers companies to dispose e-waste responsibly.

In compliance with the Singapore Exchange's sustainability reporting framework, we will be publishing our inaugural standalone Sustainability Report 2017 later this year as a soft copy on our corporate website. This complements our going green efforts with the electronic dissemination of our Annual Report 2017 and accompanying appendix to shareholders via our corporate website.

Within the Sustainability Report, we will be identifying the material Environmental, Social and Governance ("ESG") factors arising from our operations, as well as considering those impacts associated indirectly with our business activities. Through this detailed analysis, opportunities for improvement will be identified and targets will be set for the short, medium and long term to help strengthen our responsible business strategy and become a leader in ESG management.

As we progress on this journey, we aim to eventually implement a robust company-wide sustainability framework to improve corporate transparency and operating efficiency, and ensure leadership positioning against our peers.

BOARD OF **DIRECTORS**

THOMAS SEAN MURPHY

CHAIRMAN & GLOBAL CHIEF EXECUTIVE OFFICER

Mr Thomas Sean Murphy was appointed to our Board on 2 January 2014. He has more than 25 years of experience in the IT industry, and he is responsible for the strategic planning and overall management of our Group. Mr Murphy began his career in technology sales, and within 10 years, worked his way to the position of Vice President of International Sales at Sun Data Systems, Inc., overseeing sales in over 70 countries. In 1998, he, together with three partners, launched Canvas Systems, LLC ("Canvas Systems"), one of the world's largest independent resellers of pre-owned, enterprise computer systems with offices in the USA, the UK and Netherlands. Canvas Systems was acquired by Avnet, Inc. in 2012. Mr Murphy's string of tech successes in the USA also included co-founding Optimus Solutions Inc. in 2001, which was sold to Softchoice Corporation in 2008.

Mr Murphy received the Entrepreneurial Success Award by the US Government-SBA Division in 2002. In 2006, he was selected as one of Atlanta's 40 under 40 by the Atlanta Business Chronicle, and was awarded the Gwinnett Chamber of Commerce's Pinnacle Small Business Person of the Year in 2007.

A native of Roswell, Georgia, Mr Murphy graduated from the Emory University with a degree in Economics.

EDWARD JOHN FLACHBARTH

EXECUTIVE DIRECTOR & GLOBAL PRESIDENT

Mr Edward John Flachbarth was appointed to the Board on 27 April 2017. He is responsible for setting the strategic direction of our Group. Mr Flachbarth began his career in 1990 with Sun Data Systems, Inc. where he held various roles before his promotion to Wholesale Manager. In 1998, Mr Flachbarth, together with our Chairman and Global CEO and another partner, launched Canvas Systems, LLC. With the acquisition of Canvas Systems, LLC by Avnet, Inc. in 2012, Mr Flachbarth went on to join Avnet, Inc. as a Channels Manager and Operations Manager, where he was responsible for channel sales.

Mr Flachbarth graduated with a Bachelor of Industrial Engineering from the Georgia Institute of Technology.

BOARD OF **DIRECTORS**

HO CHEW THIM
LEAD INDEPENDENT DIRECTOR

Mr Ho Chew Thim was first appointed to our Board on 27 June 2016 and last re-elected as a Director on 27 April 2017. He chairs our Remuneration Committee and is a member of our Audit and Nominating Committees. Mr Ho is an accountant by vocation with many years of experience in financial management. He has held several senior financial positions in Singapore-listed companies and banks, which include China Water Holdings Pte. Ltd. (an associate of the SGX-ST listed CNA Group Ltd.), CNA Group Ltd., Achieva Limited, China World Trade Center Ltd. (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co., Ltd., Deutsche Bank (Singapore Branch), L & M Group Investments Limited, United Industrial Corporation Limited and United Overseas Bank Limited.

He also serves as an Independent Director on the boards of Yongmao Holdings Limited, Mencast Holdings Ltd., China Kunda Technology Holdings Limited, Hengyang Petrochemical Logistics Limited, DeClout Limited and Manulife US Real Estate Management Pte. Ltd. (Manager of listed Manulife US Real Estate Investment Trust).

Mr Ho is a Fellow Member of the Institute of Singapore Chartered Accountants and CPA Australia. He obtained his Bachelor of Accountancy (First Class Honours) from the University of Singapore in 1976.

PETER NG LOH KEN
INDEPENDENT DIRECTOR

Mr Peter Ng was first appointed to our Board on 27 June 2016 and last re-elected as a Director on 27 April 2017. He chairs our Audit Committee and is a member of our Remuneration and Nominating Committees. Mr Ng has been in financial advisory, fund management and direct investments for over three decades, and has held senior positions in several large institutions. He is currently the Managing Director of Peterson Asset Management Pte Ltd, and also serves as Independent Director and Audit Committee Chairman of iFAST Corporation Limited. Mr Ng was General Manager of Investments in Hong Leong Assurance Bhd, based in Malaysia. For nine years till 1996, he served as Head of Treasury, Investments and Corporate divisions at various stages of his career with Great Eastern Life Assurance Co Ltd. Prior to that, he was Senior Manager of an international public accounting firm and had worked for several years in their Australian and Singapore offices. From 2009 to 2010, Mr Ng also served as a member on the Accounting and Corporate Regulatory Authority's Investment Committee.

Mr Ng graduated with a Bachelor of Accountancy degree (with Honours) from the National University of Singapore, and is also a Chartered Financial Analyst charterholder. He completed the Advanced Management Program at Harvard Business School in 1993.

BOARD OF **DIRECTORS**

WONG QUEE QUEE, JEFFREY
INDEPENDENT DIRECTOR

Mr Jeffrey Wong was first appointed to our Board on 27 June 2016 and last re-elected as a Director on 27 April 2017. He chairs our Nominating Committee and is a member of our Audit and Remuneration Committees. He has more than 15 years of experience in corporate transactional work covering the legal and investment banking aspects. Mr Wong is currently the Head of Investment Banking at SooChow CSSD Capital Markets (Asia). Prior to joining SooChow CSSD Capital Markets (Asia), he held various senior positions within the Religare Capital Markets group. Before Religare Capital Markets, Mr Wong worked at UBS AG and Allen and Gledhill LLP.

Mr Wong was awarded Singapore In-house Lawyer of the Year at the Asian Legal Business South-East Asia Law Awards 2009 and was a member of the Auditing and Assurance Standards Committee in the Institute of Certified Public Accountants of Singapore (now known as the Institute of Singapore Chartered Accountants) for the 2009/2010 term.

Mr Wong graduated with a Bachelor of Laws (Honours) from the National University of Singapore and is qualified to act as an advocate and solicitor of the Singapore Supreme Court and as a solicitor of Supreme Court of England and Wales.

LIM SWEE YONG
NON-EXECUTIVE DIRECTOR

Mr Lim Swee Yong was first appointed to our Board on 27 June 2016 and last re-elected as a Director on 27 April 2017. He is a member of our Audit, Remuneration and Nominating Committees. He is currently the Head of Corporate Office for DeClout Limited ("DeClout") and heads DeClout's corporate venture arm.

Prior to joining DeClout, Mr Lim was Vice President, Legal at Fullerton Fund Management Company Ltd, and before that, a Director with Stamford Law Corporation specialising in mergers and acquisitions, capital markets, venture capital and private equity.

Mr Lim graduated with a Bachelor of Laws (Honours) from the National University of Singapore and is qualified to act as an advocate and solicitor of the Supreme Court of Singapore and as a solicitor of the Supreme Court of England and Wales.

SENIOR **MANAGEMENT TEAM**

Seated left to right:
MR EDWARD JOHN FLACHBARTH, MR THOMAS SEAN MURPHY, MR VINCENT CHOO JOO KWANG

Standing left to right:
MR ZACHARY SEXTON, MR POH YEE TIONG, MR MATHEW JORDAN

SENIOR MANAGEMENT TEAM

Procurri's senior management team includes Mr Thomas Sean Murphy, our Chairman and Global CEO, as well as Mr Edward John Flachbarth, our Executive Director and Global President. For more details, please refer to page 19.

VINCENT CHOO JOO KWANG GROUP CHIEF FINANCIAL OFFICER

Mr Vincent Choo joined Procurri in December 2013 as Financial Controller and was appointed as our Group Chief Financial Officer in July 2016. He is responsible for our Group's financial and accounting matters. Mr Choo has more than 20 years of experience in auditing, accounting, taxation and financial management. He began his career in 1996 with Deloitte and Touche LLP as an Audit Assistant before moving on to take up senior roles at IBM Singapore Pte. Ltd., IMS Health Asia Pte Ltd, IMS Market Research Consulting (Shanghai) Co., Ltd and Elsevier (Singapore) Pte Ltd.

Mr Choo graduated with a Bachelor of Accountancy (Honours) from Nanyang Technological University. He is a Chartered Accountant of Singapore and a Chartered Financial Analyst.

POH YEE TIONG HEAD OF ASIA-PACIFIC

Mr Poh Yee Tiong joined Procurri as our Head of Asia-Pacific in January 2015. He oversees our Group's operations in the Asia-Pacific region. Mr Poh brings with him more than 25 years of experience in the IT industry, and has extensive experience across sales, strategy, operations and delivery during his career with IBM Singapore Pte. Ltd..

Mr Poh graduated from Open University (Singapore Institute of Management) with a Bachelor of Computer Science.

ZACHARY SEXTON HEAD OF THE AMERICAS

Mr Zachary Sexton joined Procurri in January 2013 as President, Sales of Procurri LLC and has been appointed as our Head of the Americas since 2016. He is responsible for our Group's operations in the Americas region.

Mr Sexton has more than 15 years of working experience in product sales. Starting as an IBM hardware broker at Canvas Systems, LLC, Mr Sexton worked in a variety of roles before being promoted to Strategic Account Manager at Canvas Systems, LLC, and then at Avnet, Inc. following its acquisition of Canvas Systems, LLC in 2012.

Mr Sexton graduated with a Bachelor in Business Administration from the University of North Carolina.

MATHEW JORDAN HEAD OF EUROPE, MIDDLE EAST & AFRICA

Mr Mathew Jordan joined Procurri in 2014 as Sales Director and has been appointed as our Head of Europe, Middle East and Africa (EMEA) since 2016. He oversees our Group's operations in EMEA. Mr Jordan has close to 20 years of working experience in product sales. He started as a junior broker with Tindirect Limited, which was rebranded as Procurri UK Limited, before moving on to become a Broker Manager and subsequently, Sales Director. In 2005, Mr Jordan participated in a management buy-out, following which he became an owner of the holding company, Tinglobal Holdings Limited, which is now renamed as Procurri Europe Limited.

Mr Jordan graduated with a Bachelor of Arts (Honours) in Business Studies from Southampton Solent University.

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GOVERNANCE **REPORT**

The board of directors (the "**Board**") of Procurri Corporation Limited (the "**Company**", and together with its subsidiaries, the "**Group**") recognises the importance of corporate governance and is committed to ensuring that a high standard of corporate governance is practised within the Group.

This report describes the Company's ongoing efforts in complying with the Code of Corporate Governance 2012 (the "**Code**") and where applicable, the Listing Manual (the "**Listing Rules**") of the SGX-ST throughout the financial year. The Company has complied with the Code, except where otherwise explained. In areas where the Group has not complied with the Code, the Group will continue to assess its needs and implement appropriate measures accordingly.

(A) BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with management to achieve this objective and management remains accountable to the board.

1.1 The Board's principal functions are to:

(a) decide on matters in relation to the Group's activities which are of a significant nature, including the approval of major investments and divestments;

(b) oversee the business and affairs of the Company, establish, with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;

(c) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(d) oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes;

(e) assume responsibility for corporate governance;

(f) set the Company's values and standards (including ethical standards); and

(g) consider sustainability issues as part of its strategic formulation.

1.2 All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is accountable to the shareholders through effective governance of the business.

1.3 To assist the Board in the execution of its responsibilities, the Board has constituted various Board committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee (collectively, the "**Board Committees**"). The role and function of each Board Committee is described in subsequent sections in this report. While these Board Committees are delegated with certain responsibilities, the ultimate responsibility and decision lies with the Board.

1.4 The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. The Constitution of the Company (the "Constitution") permits directors to attend meetings by telephonic or video-conference meetings.

The number of Board and Board Committee meetings, and the record of attendance of each director for FY2017 is set out below:

	Board		Remuneration Committee		Nominating Committee		Audit Committee	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Thomas Sean Murphy	6	6	1	1*	1	1*	7	5*
Mr Edward John Flacbarth	6	5#	–	–	–	–	7	3*
Mr Lim Swee Yong	6	6	1	1	1	1	7	7
Mr Ng Loh Ken Peter	6	6	1	1	1	1	7	7
Mr Ho Chew Thim	6	6	1	1	1	1	7	7
Mr Wong Quee Quee, Jeffrey	6	6	1	1	1	1	7	7

Notes:

* Attended as invitees

Mr Edward John Flacbarth had attended all Board meetings which were held in FY2017 since his appointment to the Board on 27 April 2017.

1.5 The Board has adopted a set of guidelines on matters that require its approval. Matters which are specifically reserved for the Board's approval include those involving business plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends and other returns to shareholders.

1.6 An induction program is conducted for all new directors appointed to the Board which seeks to familiarise the directors with the Group's businesses, board processes, internal controls and governance practices. The Company also provides the opportunity for the directors to attend seminars and training to enable them to keep pace with regulatory changes, where changes to regulations and accounting standards have a material bearing on the Company and to enable them to discharge their duties. The Company is responsible for arranging and funding the training of directors.

1.7 Each Board Committee is constituted with clear terms of reference to assist the Board in discharging its functions and responsibilities. The terms of reference are provided to each newly-appointed director.

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.

2.1 The Board currently comprises six directors, three of whom are independent non-executive directors. As independent non-executive directors make up half of the Board, the Board is able to exercise objective judgment independently from management and no individual or small group of individuals dominate the decisions of the Board. Each independent director is required to complete a confirmation form annually to confirm his independence.

2.2 As the Chairman of the Board and the chief executive officer is the same person, half of the Board is made up of independent directors. The Chairman, Mr Thomas Sean Murphy is also the Global Chief Executive Officer ("**Global CEO**").

2.3 The Board currently comprises:

Mr Thomas Sean Murphy	(Chairman and Global CEO)
Mr Edward John Flacbarth	(Executive Director and Global President)
Mr Lim Swee Yong	(Non-Executive Director)
Mr Ho Chew Thim	(Lead Independent Director)
Mr Ng Loh Ken Peter	(Independent Director)
Mr Wong Quee Quee, Jeffrey	(Independent Director)

After taking into account the views of the Nominating Committee, the Board is satisfied that each independent director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the director's judgement, save that Mr Ho Chew Thim is the lead independent director of the Company as well as DeClout Limited ("**DeClout**", and together with its subsidiaries, the "**DeClout Group**"), a controlling shareholder of the Company. The Board has determined that our Lead Independent Director, Mr Ho Chew Thim, be considered independent notwithstanding that he is also the lead independent director of DeClout as (i) the Company is independently and separately managed from the DeClout Group, with no sharing or overlapping of any key staff; (ii) he will not participate in any discussions in relation to any interested person transactions between the Group and the DeClout Group, and he will abstain from voting on any such proposals at any of either the Company's or DeClout's board of directors meetings and refer such matter to the Audit Committee Chairman; and (iii) he will abstain from participating in any proceedings involving transactions with the DeClout Group or where there would be conflicts of interest with the DeClout Group.

2.4 The Board confirms that no independent director has served on the Board beyond nine years from the date of his first appointment.

2.5 The Board is of the view that, given the scope and nature of the Group's operations, the current size of the Board is appropriate for effective decision making.

2.6 The Board is of the opinion that the current Board comprises persons who, as a group, have core competencies, such as finance, accounting, legal, business and industry knowledge, necessary to lead and manage the Company. The profiles of each of the directors are set out in the Board of Directors section in this Annual Report.

2.7 The non-executive directors provide, amongst other things, strategic guidance to the Company, assistance to constructively challenge and develop strategy, as well as review the performance of the management of the Company in meeting agreed goals.

2.8 Where necessary, the non-executive directors may meet without the presence of the management of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

3.1 The Chairman and the Global CEO roles in the Company are assumed by Mr Thomas Sean Murphy. The Board is of the view that the accountability and independence of the Board as a whole has not been compromised despite the Chairman and Global CEO being the same person, taking into consideration that half of the Board is comprised of independent directors and the committment that the independent directors have demonstrated in their roles. The Chairman and Global CEO have defined responsibilities which, during his tenure so far, have not conflicted with each other. The Board believes there is sufficient element of independence and adequate safeguards against a concentration of power in one single person.

3.2 The Chairman is responsible to, among others:

(a) lead the Board to ensure its effectiveness on all aspects of its role;

(b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promote a culture of openness and debate within the Board;

(d) ensure that the directors receive complete, adequate and timely information;

(e) ensure effective communication with shareholders;

(f) encourage constructive relations within the Board and between the Board and management;

(g) facilitate the effective contribution of non-executive directors in particular; and

(h) promote high standards of corporate governance.

3.3 The Board has appointed Mr Ho Chew Thim as the lead independent director. The lead independent director is available to shareholders where they have concerns for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("**CFO**") has failed to resolve or for which such contact is not appropriate.

3.4 Where necessary, the independent directors shall meet without the presence of the other directors, and the lead independent director shall provide feedback to the Chairman after such meetings.

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the board.

4.1 The Nominating Committee comprises:

Mr Wong Quee Quee, Jeffrey	(Chairman and Independent Director)
Mr Ho Chew Thim	(Member and Lead Independent Director)
Mr Ng Loh Ken Peter	(Member and Independent Director)
Mr Lim Swee Yong	(Member and Non-Executive Director)

The members of the Nominating Committee, including the Chairman of the Nominating Committee, are independent directors except for Mr Lim Swee Yong, who is a non-executive director.

4.2 The Nominating Committee is responsible for the following under its terms of reference:

(a) reviewing and recommending the nomination or re-nomination of the directors having regard to the director's contribution and performance;

(b) reviewing the composition of the Board, having regard to the future requirements of the Group, as well as the need for directors who, as a group, provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group;

(c) developing a process for evaluation of the performance of the Board, its committees and the directors;

(d) determining on an annual basis whether or not a director is independent;

(e) in respect of a director who has multiple board representations on various companies, to review and decide whether or not such director is able to and has been adequately carrying out his duties as director, having regard to the competing time commitments that are faced by the director when serving on multiple boards and discharging his duties towards other principal commitments;

(f) deciding whether or not a director is able to and has been adequately carrying out his duties as a director;

(g) reviewing and approving any new employment of related persons and the proposed terms of their employment; and

(h) reviewing board succession plans, as well as training and professional development programmes for the Board.

The evaluation of appointment and re-appointment of a director takes into consideration, among others, the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance.

Pursuant to Regulation 117 of the Constitution, at each annual general meeting ("**AGM**"), one third of the directors for the time being, or if their number is not a multiple of three, the number nearest to but not less than one-third with a minimum of one, shall retire from office and a director at an AGM shall retain office until the close of the meeting, whether adjourned or not. Regulation 122 of the Constitution also provides that a person so appointed by the directors shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

At the forthcoming AGM, Mr Thomas Sean Murphy and Mr Lim Swee Yong will retire pursuant to Regulation 117.

Mr Lim Swee Yong will not be seeking re-appointment at the forthcoming AGM. Accordingly, he will retire as a director after the conclusion of the AGM. Mr Thomas Sean Murphy, being eligible, has offered himself for re-election. Mr Thomas Sean Murphy will, upon re-election as a director, remain as the Chairman and Global CEO.

Save for: (i) their respective shareholding interests, direct or indirect, in the Company; (ii) in respect of Mr Ho Chew Thim being the lead independent director of both the Company and DeClout; and (iii) in respect of Mr Lim Swee Yong being the Head of Corporate Office of DeClout, there are no relationships including immediate family relationships between Mr Ho Chew Thim, Mr Ng Loh Ken Peter, Mr Wong Quee Quee, Jeffrey and Mr Lim Swee Yong and the other directors, the Company, its related corporations, its 10% shareholders or its officers.

4.3 The Nominating Committee's assessment of the independence of a director is guided by the Code and takes into account factors, such as relationship with the Company, its related corporations, its 10% shareholders or its officers and whether these relationships interfere with his business judgement.

4.4 The Nominating Committee is of the view that, despite some of the directors having other board representations as described below, there are currently no compelling reasons to impose a cap on the number of board representations each director may hold since these directors are able to and have adequately carried out their duties as directors of the Company. Board meetings are planned and scheduled well in advance of the meeting dates.

4.5 The Board does not encourage the appointment of alternate directors. No alternate director is appointed to the Board.

4.6 In its search and selection process for new directors, among others, the Nominating Committee taps on the resources of the directors' contacts and recommendations of potential candidates and appraises the candidates to ensure that they possess relevant experience and have the calibre to contribute to the Group and its businesses, having regard to the attributes of the existing Board and the requirements of the Group.

4.7 The following sets forth the respective dates of appointment and the dates of last re-election, as well as membership in the Board Committees, of each director:

Name of Directors and Board Membership	Date of First Appointment	Date of Last Re-Election	Audit Committee	Remuneration Committee	Nominating Committee
Thomas Sean Murphy *Chairman and Global CEO*	2 January 2014	–	–	–	–
Edward John Flacbarth *Executive Director and Global President*	27 April 2017	–	–	–	–
Lim Swee Yong *Non-Executive Director*	27 June 2016	27 April 2017	Member	Member	Member
Ho Chew Thim *Lead Independent Director*	27 June 2016	27 April 2017	Member	Chairman	Member
Ng Loh Ken Peter *Independent Director*	27 June 2016	27 April 2017	Chairman	Member	Member
Wong Quee Quee, Jeffrey *Independent Director*	27 June 2016	27 April 2017	Member	Member	Chairman

Please refer to the Board of Directors section in this Annual Report for the profile of each director's professional qualifications, principal commitments, and directorships and chairmanships both present and those held over the preceding three years in other listed companies.

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.

5.1 The Nominating Committee conducts an annual assessment of the performance of the Board as a whole and the Board Committees in view of the complementary and collective nature of directors' contributions. This process is conducted using a questionnaire designed to assess the performance of the Board and the Board Committees. The Board and Board Committees' performance will be evaluated by each director and the findings are collated for the final review by the Nominating Committee and the Board.

5.2 The Nominating Committee has established objective performance criteria, such as frequency of meetings and participation in strategic planning, risk management and internal controls to evaluate the Board's performance as a whole.

5.3 The Board reviews the assessment conducted by the Nominating Committee and where necessary makes changes to further improve the effectiveness of the Board. Following the review, the Board is of the view that the Board and the Board Committees operate effectively.

Each member of the Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a director.

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to the board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

6.1 The Board is provided with adequate information prior to Board meetings and on an on-going basis. The Company circulates copies of the minutes of the meetings of all Board Committees and the Board to all members of the Board to keep them informed of on-going developments within the Group. The Board also has separate and independent access to management.

6.2 Information provided to the Board include financial management reports, reports on performance of the Group against the budget, papers pertaining to matters requiring the Board's decision, and updates on key outstanding issues, strategic plans and developments in the Group.

6.3 The directors have separate and independent access to the Company Secretaries. The Company Secretaries and/or their representatives attends all Board and Board Committees' meetings. The Company Secretaries administer and prepare minutes of Board and Board Committees' meetings and assist the Chairman in ensuring that Board procedures are adhered to and that applicable statutory and regulatory rules and regulations are complied with.

6.4 The appointment and removal of the Company Secretaries is subject to approval of the Board.

6.5 Where decisions to be taken require expert opinion or specialised knowledge, the directors, whether as a group or individually, may seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

7.1 The Remuneration Committee comprises:

Mr Ho Chew Thim	(Chairman and Lead Independent Director)
Mr Ng Loh Ken Peter	(Member and Independent Director)
Mr Wong Quee Quee, Jeffrey	(Member and Independent Director)
Mr Lim Swee Yong	(Member and Non-Executive Director)

The members of the Remuneration Committee, including the Chairman of the Remuneration Committee, are independent directors, except for Mr Lim Swee Yong who is a non-executive director.

7.2 The key roles of the Remuneration Committee include:

(a) recommending to the Board a framework of remuneration for the directors and the executive officers, and determining specific remuneration packages for each of them, with the recommendations of the Remuneration Committee submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and benefits in kind shall be covered by the Remuneration Committee;

(b) conducting an annual review of the remuneration of employees related to the directors and substantial shareholders, with the assistance of expert advice inside and/or outside the Company if needed, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The Remuneration Committee will also review and approve any bonuses, pay increases and/or promotions for these employees and will also review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from participating in the review; and

(c) administering the Procurri Employee Share Option Scheme (the "**ESOS**") and the Procurri Performance Share Plan (the "**PSP**").

7.3 If necessary, the Remuneration Committee shall seek expert advice on remuneration of directors and key management personnel. No external remuneration consultant had been appointed by the Company in FY2017 to advise on remuneration matters.

LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

8.1 The Group adopts a compensation philosophy where the executive directors' and key management personnel's remuneration framework are structured in a way that links rewards to corporate and individual performance, taking into account comparable benchmarks. In building a sustainable and performing organization, the Group believes in creating a compensation structure that embraces competitive remuneration taking into consideration of prevailing market conditions, whilst aligning with the long-term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, share options, share-based incentives and awards, and benefits-in-kind. The Remuneration Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

8.2 The Company has in place the long-term incentive schemes, including the ESOS and the PSP, that serve to motivate and reward the executive directors and key management personnel, and better align their interests with that of the Company. The Company has not granted any share options so far under the ESOS. As at 31 December 2017, the Company has granted a total of 7,161,500 share awards pursuant to the PSP. The table below shows the share awards granted pursuant to the PSP during FY2017:

Date of grant of award	Number of awards* granted	Market price of the shares of the Company on date of grant (S$)	Number of awards* granted to directors and controlling shareholders (and their associates), if any
18 May 2017	5,414,500	0.2907	2,232,500

* One share award represents one ordinary share of the Company upon vesting.

The shares to be issued pursuant to the share awards granted are subject to certain vesting schedules or performance conditions to be satisfied by the participants. Please refer to the Directors' Statement and Notes to the Financial Statements set out in this Annual Report for more information on the ESOS and the PSP.

8.3 The non-executive directors receive directors' fees in accordance with their level of contribution and commensurate with their appointment, taking into account factors, such as responsibilities, effort and time spent for serving on the Board and Board Committees. The Company believes that the current remuneration of independent directors is at a level that will not compromise their independence.

8.4 The Company currently uses contractual provisions to reclaim incentive components of remuneration from the executive directors and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company.

DISCLOSURE ON REMUNERATION

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

9.1 Mr Thomas Sean Murphy's current service agreement with the Company ends on 30 June 2019. The Company has also entered into a three-year service agreement with the Executive Director and Global President, Mr Edward John Flacbarth, commencing 27 April 2017. Each of their service agreements is renewable thereafter as may be agreed between the Company and the respective executive director. The remuneration packages of the executive directors under each of their respective service agreements comprises a basic salary component and a variable component which is the annual bonus based on the performance of the Group as a whole. The executive directors do not receive directors' fees.

All revisions to the remuneration packages of directors and key management personnel are subject to review and approval of the Board. Directors' fees are further subject to the approval of shareholders at the AGM. No directors participate in decisions on their own remuneration.

There are no termination, retirement and post-employment benefits that are granted to the executive directors.

9.2 The remuneration of the executive directors is linked directly to the Group's financial performance through a profit sharing scheme. The Group's incentive bonus is allocated based on the Group's financial performance and the senior management may be rewarded with business unit level bonus on achievement of the key performance indicators they are responsible for.

9.3 A breakdown showing the level and mix of each individual director's remuneration paid/payable for FY2017 in bands of S$250,000 is as follows:

Remuneration bands/ Name of director	Salary(1) (%)	Bonus (%)	Director's Fees (%)	Others(2) (%)	Total (%)
(i) **S$500,000 to below S$749,999**					
Mr Thomas Sean Murphy	70	–	–	30	100
(ii) **S$250,000 to below S$499,999**					
Mr Edward John Flacbarth(3)	80	–	–	20	100
(iii) **Below S$250,000**					
Mr Wong Kok Khun(4)	–	–	100	–	100
Mr Lim Swee Yong	–	–	100	–	100
Mr Ho Chew Thim	–	–	100	–	100
Mr Ng Loh Ken Peter	–	–	100	–	100
Mr Wong Quee Quee, Jeffrey	–	–	100	–	100

Notes:
(1) Included fixed allowances.
(2) Included fair value of the awards under PSP for FY2017 vested during the year on or before 31 December.
(3) Appointed as an executive director on 27 April 2017.
(4) Retired from the position of Non-Executive Chairman on 27 April 2017.

The Board has, on review, decided not to disclose the remuneration of the directors to the nearest thousand, as the Board believes that the disclosure is commercially sensitive and could encourage talent-poaching which possibly leads to the Company and its subsidiaries being exposed to unnecessary risks. Whilst sustaining the long-term benefit of the Company, the Board is of the view that the disclosure of the remuneration in bands has sufficiently balanced off the Company's interests and the necessity to provide sound information to the investors for their investment decisions.

9.4 Given the highly competitive condition of the industry that the Group operates in, it is in the best interest of the Group to maintain confidentiality of the names and remuneration details of its top 5 key executives (who are not directors or the CEO) of the Group. For FY2017, the remuneration bands (including any bonuses, allowances, options and share-based incentives) of each of the top 5 key executives (who are not directors or the CEO) of the Group are provided below:

Remuneration bands	Number of Executives
S$500,000 to S$749,999[1]	2
S$250,000 to S$499,999[1]	3

Note:

(1) Included employers' CPF and fair value of the awards under PSP for FY2017 vested during the year on or before 31 December.

The total remuneration, in aggregate, paid to the top 5 key executives of the Group (who are not directors or the CEO) for FY2017 is approximately S$2,190,000.

9.5 The Company does not have any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 in FY2017.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The board should present a balanced and understandable assessment of the company's performance, position and prospects.

10.1 In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects.

10.2 The Board keeps itself abreast and is kept informed by management of legislative and regulatory requirements.

10.3 The management currently provides the Board with appropriately detailed management reports of the Group's performance and position on a quarterly basis. This is supplemented by updates on matters affecting the financial performance and business of the Group, if such event occurs.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The board is responsible for the governance of risk. The board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risk which the board is willing to take in achieving its strategic objectives.

11.1 The Board oversees management in the area of risk management and internal control systems. The Board regularly reviews the Company's business and operational activities to identify areas of significant risks, as well as take appropriate measures to control and mitigate these risks.

11.2 Management provides reports of risk management to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. The internal audit function is partly outsourced to a third-party professional firm and partly conducted in-house. The Audit Committee evaluates the findings of the external and internal auditors on the Group's internal controls annually.

11.3 The Group's internal controls are designed to provide reasonable assurance with regards to the keeping of proper accounting records, integrity and reliability of financial information, and physical safeguard of assets. Management takes into consideration the risks which the Group is exposed to, the likelihood of occurrence and the cost of prevention while designing internal controls.

Based on:

(a) the internal controls established and maintained by the Group;

(b) work performed by the internal and external auditors, and reviews performed by the management, the Board and Board Committees; and

(c) the confirmations received from the CEO, the CFO, and the chief executive officers of the respective subsidiaries that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and that the Group's internal control procedures in place are adequate and effective in addressing the financial, operational, compliance, information technology controls and risk management systems,

the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's current internal control procedures in place to address financial, operational, compliance, information technology controls and risk management systems are adequate and effective though continuous improvements are needed as the Group grows its businesses.

However, the Board and management acknowledge that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

11.4 The Board collectively oversees risk management and does not have a separate Board risk committee.

AUDIT COMMITTEE

Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

12.1 The Audit Committee comprises:

Mr Ng Loh Ken Peter	(Chairman and Independent Director)
Mr Ho Chew Thim	(Member and Lead Independent Director)
Mr Wong Quee Quee, Jeffrey	(Member and Independent Director)
Mr Lim Swee Yong	(Member and Non-Executive Director)

The members of the Audit Committee, including the Chairman of the Audit Committee, are independent directors except for Mr Lim Swee Yong who is a non-executive director.

12.2 At least two members of the Audit Committee, including the Chairman of the Audit Committee, have sufficient accounting and related financial management expertise. The Board considered that the members of the Audit Committee are suitably qualified to discharge the Audit Committee's responsibilities.

12.3 The Audit Committee has the authority to investigate any matters within its terms of reference and the discretion to invite any director or executive officer to attend its meetings. The management shall grant full cooperation and resources to enable it to discharge its functions properly.

12.4 The key roles of the Audit Committee include:

(a) assisting the Board in discharging its statutory responsibilities on financing and accounting matters;

(b) reviewing significant financial reporting issues and judgments to ensure the integrity of the financial statements and any formal announcements relating to financial performance;

(c) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

(d) reviewing the external auditors' audit plan and audit report, and the external auditors' evaluation of the system of internal accounting controls, as well as reviewing the Group's implementation of any recommendations to address any control weaknesses highlighted by the external auditors;

(e) reviewing the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board, including that in connection with compliance with environmental laws and regulations;

(f) reviewing the statements to be included in the annual reports concerning the adequacy and effectiveness of the risk management and internal controls systems, including financial, operational, compliance and information technology controls;

(g) reviewing all interested person transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the latest audited NTA of our Group every quarter, and monitoring the procedures established to regulate interested person transactions, including ensuring compliance with the Group's internal control system and the relevant provisions of the Listing Rules, as well as all conflicts of interests to ensure that proper measures to mitigate such conflicts of interests have been put in place, and approving all interested person transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% of the value of the latest audited NTA of our Group, prior to such transactions being entered into;

(h) reviewing the scope and results of the internal audit procedures, the implementation of recommendations by internal auditors, and at least annually, the adequacy and effectiveness of the internal audit function;

(i) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;

(j) appraising and reporting to the Board on the audits undertaken by the external auditors and internal auditors, and the adequacy of disclosure of information; and

(k) making recommendations to the Board on the proposals to shareholders on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

12.5 The Audit Committee has met with the external auditors and the internal auditors, in each case without the presence of the management, at least annually.

12.6 The Audit Committee reviews the independence of the external auditor annually. In the selection of suitable auditing firms, the Audit Committee takes into consideration several factors such as the adequacy of resources, experience of the accounting auditing firm, the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit and its ability to provide audit service to our foreign subsidiaries. The selected auditing firm based in Singapore is engaged as auditors for the Company, as well as our Singapore-incorporated subsidiaries.

The Group has appointed different auditors for its various subsidiaries. The Audit Committee is satisfied that the appointments would not compromise the standard and effectiveness of the audit of these subsidiaries. Accordingly, the Company has complied with Rule 712 and Rule 715 of the Listing Rules.

The Audit Committee has reviewed the independence of the external auditors of the Company including the volume of non-audit services performed, as well as the cost-effectiveness. The aggregate amount of fees paid and payable to the external auditors of the Company and other member firms of EY Global in FY2017 are tabulated in the table below:

Fees Paid and Payable	S$	%
Audit Services	358,000	80
Non-Audit Services	87,500	20
Total	445,500	100

The non-audit fees were mainly in relation to tax advisory and transfer pricing services rendered by the external auditors of the Company. The Audit Committee is satisfied that the nature and extent of such services will not prejudice the independence of the external auditors of the Company.

12.7 The Group has implemented a whistle blowing policy. The whistle blowing policy will provide well-defined and accessible channels in the Group through which the employees of the Group may raise concerns about improper conduct within the Group in writing or by email submission. The objectives of such a policy are to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action.

12.8 The Audit Committee is updated annually on any changes in accounting standards by the external auditor. This ensures that the Audit Committee is kept abreast of changes to accounting standards and issues which have a direct impact on the Group's financial statements. The Audit Committee conducted meetings in FY2017 during which results announcements, external audit report, internal audit report, independence of auditors, appointment of auditors and interested person transactions were reviewed, and the duties as described above were carried out.

12.9 No former partner or director of the Company's existing auditing firm is a member of the Audit Committee.

12.10 Key Audit Matters

In the review of the financial statements, the Audit Committee had discussions with management on the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with management and the external auditors, and were reviewed by the Audit Committee:

Significant matters	**How the Audit Committee reviewed these matters and what decisions were made**
(a) Revenue recognition (b) Accounting for business combination (c) Impairment assessment of goodwill (d) Impairment assessment of trade receivables (e) Inventories write-down	The Audit Committee has considered the key audit matters ("KAM") reported by the external auditors. The Audit Committee examined the findings on these and other financial reporting matters together with the external auditors and management. In these KAMs, the Audit Committee assessed the management's judgements and estimates, considered the approach and methodology applied to valuation models, and reviewed the accounting treatments adopted by management. The Audit Committee concurred with the external auditors' opinion on the KAM.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

13.1 The internal auditors' primary line of reporting is to the Chairman of the Audit Committee. The Group cooperates fully with the internal auditors in terms of allowing access to documents, information, properties and personnel.

13.2 The Group partially outsourced its internal audit function to an internationally recognized third party professional firm, Crowe Horwath First Trust Risk Advisory Pte Ltd, and partially conducted internal audit inhouse through the head of the internal audit function.

13.3 The Audit Committee is satisfied that the internal audit function is adequately resourced by personnel with the relevant qualifications and experience.

13.4 The internal audit function is carried out in accordance with the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

13.5 The Audit Committee reviews annually the adequacy and effectiveness of the internal audit function.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

14.1 The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders of the Company, in compliance with the requirements set out in the Listing Rules.

14.2 Shareholders are given the opportunity to participate in, and vote at, general meetings and shareholders are informed of the rules, including the voting procedures that govern the general meetings of shareholders.

14.3 On 3 January 2016, the relevant legislation was amended, among other things to allow certain members, defined as a "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. A "relevant intermediary" includes corporations holding relevant licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

15.1 The Company has an investor relations and corporate marketing team who assists in facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns, as well as to keep the market and investors publicly apprised of the Group's major corporate developments and financial performance.

15.2 Information is disclosed in a timely manner to the shareholders through SGXNET and is also made available on the Company's website. The Company ensures fair access of information to all shareholders at the same time and does not practise selective disclosure of material information.

15.3 The Company maintains regular dialogue with shareholders and the investment community through analyst briefings, investor meetings, non-deal roadshows and at the general meetings. Analyst briefings are conducted for members of the investment community and media generally after results announcements. Key management personnel, including the CEO and the CFO, are typically present in these briefings. The results announcement and the analyst briefing presentations are all published on SGXNET and are also made available on the Company's website, www.procurri.com.

15.4 Shareholders are given the opportunity to air their views at general meetings.

15.5 The Company currently does not have a fixed dividend policy. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account our retained earnings, expected future earnings, operations, cash flow, capital requirements, general business and financing conditions, as well as other factors which our directors may determine appropriate.

15.6 There was no dividend declared for FY2017 as the Group was in a loss-making position. Further, the Group wishes to reserve funds for the future growth of the Group.

CONDUCT OF SHAREHOLDERS' MEETING

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

16.1 General meetings are held in Singapore. At such meetings, shareholders of the Company are given the opportunity to air their views and ask the directors questions regarding the Company. A proxy form is sent with the notice of general meeting to all shareholders so that those shareholders who are unable to attend the general meeting in person can appoint a proxy or proxies to attend and vote on their behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement absentia voting methods at general meetings.

16.2 Resolutions at general meetings are on each substantially separate issue. The Company avoids bundling resolutions unless they are interdependent and linked. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before they are voted on.

16.3 All directors are present at general meetings to address any questions that shareholders may have. The external auditors are also present to address shareholders' queries about the conduct of the audit and preparation and content of the auditors' report.

16.4 Minutes of the general meetings are made available to shareholders upon their request.

16.5 The Company intends to employ electronic polling at the forthcoming general meetings. Separate resolutions are proposed on each substantially separate issue. To ensure transparency in the voting process, the detailed results of all resolutions put to vote showing the number of votes cast for and against each resolution, and the respective percentages are tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced via SGXNET after the conclusion of the general meeting.

MATERIAL CONTRACTS

Save for the service agreements between the executive directors and the Company and the transactions as disclosed in the "Interested Person Transactions" section below, there were no material contracts entered into by the Company and any of its subsidiaries involving the interests of the CEO, any director or controlling shareholders, either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

DEALING IN SECURITIES

With reference to Rule 1207(19) of the Listing Rules, the Company issues a directive to all directors and employees not to deal in the Company's securities during the period commencing two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year, or during the period commencing one month immediately preceding the announcement of the Company's full-year results, and ending on the date of announcement of the relevant results. Reminders are sent via email to remind all directors and employees.

In addition, the directors and employees are advised not to deal in the Company's securities for short-term considerations and are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures for recording and reporting interested person transactions in a timely manner to the Audit Committee and that transactions are conducted at arm's length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transactions for FY2017 are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
Provision of shared services by the DeClout Group		
DeClout Limited	N.A.	478
Others		
Pacific Wave Pte. Ltd.	471	N.A.

The Company has a general mandate from shareholders for interested person transactions pursuant to Rule 920(2) of the Listing Rules which is effective until the forthcoming AGM to be held on 30 April 2018, and the Company is seeking the approval of shareholders for the renewal of the shareholders' mandate for interested person transactions at the forthcoming AGM. Please refer to the Appendix for further details.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING ("IPO")

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 Annual Report, the Net Proceeds have been utilised as follows:

Use of Proceeds	Amount S$'000	Net Proceeds utilised S$'000	Net Proceeds unutilised S$'000
Merger and acquisitions, joint ventures and partnerships strategy	17,000	16,125	875
Enhancement of infrastructure	5,000	1,911	3,089
Repayment of loans from DeClout	6,081	6,081	–
Working capital purposes[1]	6,744	6,744	–
Total	34,825	30,861	3,964

Note:

(1) Breakdown of Net Proceeds used for working capital purposes:

Use of proceeds for working capital purposes	Amount (S$'000)
Funding of capital injection into Procurri (Beijing) Co., Ltd	700
Meeting trade expenses	500
Meeting operating and other expenses	1,544
Procuring maintenance parts for the life cycle services business of the Group	4,000
Total	6,744

The Company will make further announcements on the use of the balance Net Proceeds as and when such Net Proceeds are disbursed.

DIRECTORS' **STATEMENT**

The directors hereby present their statement to the members together with the audited consolidated financial statements of Procurri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Thomas Sean Murphy
Edward John Flachbarth
Lim Swee Yong
Ho Chew Thim
Ng Loh Ken Peter
Wong Quee Quee, Jeffrey

Arrangements to enable directors to acquire shares and debentures

Except as described in the paragraph below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap.50, an interest in shares and share options of the Company and related corporations as stated below:

Name of directors	Direct interest: At beginning of the financial year or date of appointment if later	At end of the financial year	At end of 21 January 2018	Deemed interest: At beginning of the financial year or date of appointment if later	At end of the financial year	At end of 21 January 2018
The Company						
Ordinary shares						
Thomas Sean Murphy	500,000	1,653,400	1,653,400	33,995,000	33,995,000	33,995,000
Edward John Flachbarth	–	724,000	724,000	33,995,000	33,995,000	33,995,000
Lim Swee Yong	–	–	110,100	–	–	–
Ho Chew Thim	100,000	100,000	241,000	–	–	–
Ng Loh Ken Peter	–	–	137,600	–	–	–
Wong Quee Quee, Jeffrey	–	–	123,800	–	–	–
Share awards granted under Procurri Performance Share Plan						
Thomas Sean Murphy	224,000	722,400	722,400	–	–	–
Edward John Flachbarth	224,000	688,000	688,000	–	–	–
Lim Swee Yong	–	110,100	–	–	–	–
Ho Chew Thim	–	141,000	–	–	–	–
Ng Loh Ken Peter	–	137,600	–	–	–	–
Wong Quee Quee, Jeffrey	–	123,800	–	–	–	–

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Share options and awards

Procurri Corporation Performance Share Plan ("the Procurri PSP")

The Group operates a Performance Share Plan, the Procurri PSP, which was approved pursuant to a written resolution passed by the shareholders on 27 June 2016.

The Procurri PSP is administered by the Remuneration Committee (the "RC"), whose members are:

– Ho Chew Thim (Chairman of the RC and independent and non-executive director)

– Ng Loh Ken Peter (Independent and non-executive director)

DIRECTORS' **STATEMENT**

Share options and awards (Continued)

Procurri Corporation Performance Share Plan ("the Procurri PSP") (Continued)

– Wong Quee Quee, Jeffrey (Independent and non-executive director)

– Lim Swee Yong (Non-executive director)

Subject to the absolute discretion of the RC, awards may be granted to the following participants under the Procurri PSP:

– confirmed employees of the group;

– directors of the Company and/or any of its subsidiaries and/or any of its associated companies who perform an executive function; and

– directors of the Company and/or any of its subsidiaries, other than those who perform an executive function

(subject to the rules of the Procurri PSP).

The maximum number of shares issuable or to be transferred by the Company under the Procurri PSP, when aggregated with the aggregate number of shares over which options or awards granted under any other share option schemes or schemes of the Company, will be 15% of the Company's total number of issued shares (excluding treasury shares) from time to time.

The table below summarises the number of shares which are the subject of the awards granted under the Procurri PSP that were outstanding, their fair value price as at the end of the reporting year, as well as the movement during the reporting year.

Grant date	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at beginning of the year	Number of shares which are the subject of the awards granted under the Procurri PSP granted during the year	Number of shares issued pursuant to the awards during the year	Number of shares lapsed pursuant to the awards during the year	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at end of the year
2016					
1 September 2016	1,747,000	–	1,747,000	–	–
2017					
18 May 2017	–	5,414,500	309,600	344,000	4,760,900

Share options and awards (Continued)

The information on directors (holding office at the date of this statement) of the Group participating in Procurri PSP is as follows:

Participants	Aggregate number of shares comprised in awards granted since the start of the plan to end of year	Number of shares comprised in awards granted during the year	Aggregate number of shares comprised in awards vested since the start of the plan to end of year	Aggregate number of shares comprised in awards outstanding as at end of year
Directors				
Thomas Sean Murphy	1,256,000	1,032,000	533,600	722,400
Edward John Flachbarth	912,000	688,000	224,000	688,000
Lim Swee Yong	110,100	110,100	–	110,100
Ho Chew Thim	141,000	141,000	–	141,000
Ng Loh Ken Peter	137,600	137,600	–	137,600
Wong Quee Quee, Jeffrey	123,800	123,800	–	123,800

Procurri Corporation Employee Share Option Scheme ("the Procurri ESOS")

The Group operates an Employee Share Option, the Procurri ESOS, which was approved pursuant to a written resolution passed by the shareholders on 27 June 2016.

The Procurri ESOS is administered by the Remuneration Committee (the "RC"), whose members are:

– Ho Chew Thim (Chairman of the RC and independent and non-executive director)

– Ng Loh Ken Peter (Independent and non-executive director)

– Wong Quee Quee, Jeffrey (Independent and non-executive director)

– Lim Swee Yong (Non-executive director)

Subject to the absolute discretion of the RC, awards may be granted to the following participants under the Procurri ESOS:

– confirmed employees of the group;

– directors of the Company and/or any of its subsidiaries and/or any of its associated companies who perform an executive function; and

– directors of the Company and/or any of its subsidiaries, other than those who perform an executive function

(subject to the rules of the Procurri ESOS).

DIRECTORS' STATEMENT

Share options and awards (Continued)

Procurri Corporation Employee Share Option Scheme ("the Procurri ESOS") (Continued)

The maximum number of shares issuable or to be transferred by the Company under the Procurri ESOS, when aggregated with the aggregate number of shares over which options or awards granted under any other share option schemes or schemes of the Company, will be 15% of the Company's total number of issued shares(excluding treasury shares) from time to time.

No awards have been granted under the Procurri ESOS for the financial years ended 31 December 2016 and 2017.

Audit Committee

The members of the Audit Committee (the "AC") at the date of this statement are as follows:

Ng Loh Ken Peter	(Chairman of AC and independent and non-executive director)
Ho Chew Thim	(Independent and non-executive director)
Wong Quee Quee, Jeffrey	(Independent and non-executive director)
Lim Swee Yong	(Non-executive director)

The AC carried out its functions in accordance with the Companies Act, the SGX-ST Listing Manual and the Code of Corporate Governance. Among other functions, it performed the following:

– reviewed with the external auditors their audit plan, the results of their audit and their report on the financial statements and the assistance given by the Company's officers to them;

– reviewed with the internal auditors the internal audit plan, the scope and results of the internal audit procedures and findings, the adequacy of the internal audit resources, the cost effectiveness and the assistance given by the management to the internal auditors;

– reviewed the quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the Directors of the Company for adoption; and

– reviewed the interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

Other functions performed by the AC are detailed in the corporate governance report section in the annual report of the Company.

The AC is satisfied with the independence and the objectivity of the external auditors and has recommended to the Board of Directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

DIRECTORS' **STATEMENT**

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Thomas Sean Murphy
Director

Edward John Flachbarth
Director

23 March 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Independent Auditor's Report to the Members of Procurri Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Procurri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("the ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

The Group recognised revenue from sale of goods of $139,862,000 (2016: 104,681,000) during the financial year. We identified the appropriateness of the timing of revenue recognition arising from high trading volume in the last quarter of the financial year to be a higher audit risk area. This coupled with the significance of revenue recognised, we determined revenue recognition to be a key audit matter.

As part of our audit procedures, we evaluated the appropriateness in application of the Group's revenue recognition accounting policies. We obtained an understanding of management's internal controls over the revenue recognition process and placed attention on the operating effectiveness of such controls on the timing of the revenue recognition. We performed testing of revenue by vouching to supporting documents based on a sampling of the revenue transactions to test that the related revenue and trade receivables are recorded in the correct accounting period. We sent confirmations on a sampling basis to customers to confirm the sales transactions.

We performed sales cut-off test to establish that revenue are recorded in the correct period as well as subsequent review of credit notes issued to customers to ascertain that revenue were recognised in the correct period. We also analysed gross margins and trend analysis, and compared them against prior year actual results. Lastly, we considered the adequacy of the disclosures in respect of revenue in Note 4 to the financial statements.

Accounting for business combination

During the financial year ended 2017, the Group through one of its subsidiaries entered into an agreement with Congruity LLC in which the Group subscribed to a 51% equity interest in Rockland Congruity LLC ("Rockland") and acquired maintenance parts from Congruity LLC. The Group has accounted for the transaction as a business combination. Management performed Purchase Price Allocation ("PPA") exercise by allocating the purchase price into various identifiable assets and liabilities acquired from the new business.

We have determined this to be a key audit matter based on the quantitative materiality of the acquisition. In addition, significant management judgment is required in assessing whether the Group has control over Rockland and whether the transaction meets the definition of business combination.

Our audit procedures in response to the above transaction include review of the operating agreement to obtain an understanding of the transaction and the key terms to:

(a) establish that the Group has power to direct the relevant activities of Rockland;

(b) assess that the substance of the transaction meets the definition of business;

(c) assess management's process of identifying and ascribing the fair value to the acquired assets and assumed liabilities.

We tested the identification of intangible assets based on our discussion with management and our understanding of the business of the acquired company. We also involved our internal specialists in assessing management's identification and fair value measurement of the acquired assets and liabilities.

Amongst other procedures, we evaluated the timing and appropriateness of the accounting treatment and consideration of the acquisition based on the contractual agreement for the acquisition. We also assessed the adequacy of the related disclosures in Note 13 to the financial statements.

Impairment assessment of goodwill

As at 31 December 2017, the goodwill is carried at $12,197,000 which represents 27% of the total non-current assets and 19% of total equity. We considered the audit of management's annual impairment test of goodwill to be a key audit matter because the assessment process was complex and involved significant management judgement.

As disclosed in Note 14, the Group allocated goodwill to two cash-generating units ("CGUs"). Each CGU represents the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. The recoverable amounts of the identified CGUs have been determined based on value in use calculations using cash flow projections approved by management.

We assessed the valuation method used by management and evaluated the key assumptions used in the impairment test, in particular the terminal growth rates and discount rates. We considered the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results. We evaluated the terminal growth rates by benchmarking them to future economic data such as economic growth and expected inflation rates. We involved our internal valuation specialists to assess the discount rates used by the Group. We reviewed management's analysis of the sensitivity of the value-in-use calculations to changes in the key assumptions. We also reviewed the adequacy of the Group's disclosures on the goodwill impairment test in Note 14 to the financial statements.

Impairment assessment of trade receivables

The Group's trade receivable balances were significant as they represent 45% of the total current assets in the consolidated balance sheet. The total trade receivables and related allowance for impairment of trade receivables amounted to $43,356,000 and $705,000 respectively as at 31 December 2017. Trade receivables impairment assessment requires significant management judgment in assessing the trade debtors' ability to pay. As such, we determined that this is a key audit matter.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. We assessed the Group's processes and controls relating to the monitoring of trade receivables and considered aging to identify collection risks. We sent trade receivable confirmations on a sampling basis. On a sampling basis, we also reviewed for collectability by way of obtaining evidence of subsequent receipts from debtors as well as reviewing the past payment history and credit worthiness of debtors. We had discussions with management on the recoverability of the long outstanding debts. We also evaluated management's assumptions and estimates used to determine the trade receivables impairment amount through analysis of ageing of receivables, assessment of material overdue individual trade receivables and where applicable, review of customers' payment history and correspondences between the Group and the customers. We assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 17 and 30 to the financial statements.

Inventories write-down

The Group's total inventories and the related write-down to net realisable value ("NRV") amounted to $21,424,000 and $2,748,000 respectively as at 31 December 2017. The Group's inventories mainly consist of computer hardware and peripheral equipment, which are subject to risks of obsolescence due to technological advancements or changes in consumers' preference. The determination of inventory write down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of write down required. As such, we determined that this is a key audit matter.

As part of our procedures, we obtained the inventory ageing report and discussed with management their procedures to identify slow-moving and obsolete inventories and assess adequacy of slow-moving and obsolete inventories write down to net realisable value ("NRV"). We selected samples of inventories and tested that they were stated at the lower of cost and NRV by verifying to market prices of products with similar technical specifications, and or subsequent year-end sales price of the inventories. We also assessed the adequacy of the disclosures related to inventories in Note 16 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT **AUDITOR'S REPORT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yeow Hui Cheng.

Ernst & Young LLP

Public Accountants and
Chartered Accountants

Singapore
23 March 2018

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group	
		2017	2016
		$'000	$'000
Revenue	4	**181,822**	135,750
Cost of sales		**(122,854)**	(89,713)
Gross profit		**58,968**	46,037
Other items of income			
Other income	5	**3,130**	2,715
Other credits	8	**–**	1,297
Other items of expense			
Selling expenses		**(10,200)**	(9,664)
Administrative expenses		**(47,871)**	(27,401)
Finance costs	7	**(737)**	(729)
Other charges	8	**(5,566)**	(2,460)
IPO expense		**–**	(2,181)
(Loss)/profit before tax	9	**(2,276)**	7,614
Income tax expense	10	**(473)**	(2,475)
(Loss)/profit for the year		**(2,749)**	5,139
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**(270)**	(2,595)
Other comprehensive income for the financial year		**(270)**	(2,595)
Total comprehensive income for the financial year		**(3,019)**	2,544
(Loss)/profit for the year attributable to:			
Owners of the Company		**(2,749)**	5,139
Total comprehensive income attributable to:			
Owners of the Company		**(3,019)**	2,544
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	**(0.98)**	2.12
Diluted	11	**(0.98)**	2.12

The accompanying accounting policies and explanatory notes form an integral part of the consolidated financial statements.

BALANCE **SHEETS**

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Plant and equipment	12	27,378	11,304	23,007	7,116
Investment in subsidiaries	13	–	–	44,010	42,564
Intangible assets	14	13,824	14,322	1,560	2,079
Finance lease receivables	15	2,038	1,677	–	–
Deferred tax assets	10	1,190	554	–	–
		44,430	27,857	68,577	51,759
Current assets					
Inventories	16	21,424	15,641	–	–
Trade and other receivables	17	48,347	39,410	13,073	11,214
Prepayments	18	5,434	2,868	18	11
Finance lease receivables	15	1,433	1,299	–	–
Derivative financial asset	19	1,044	–	–	–
Cash and bank balances	20	18,459	30,006	5,911	18,170
		96,141	89,224	19,002	29,395
Total assets		140,571	117,081	87,579	81,154
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	21	29,154	24,670	2,900	6,007
Deferred income	24	20,527	3,452	–	–
Loans and borrowings	22	13,252	13,607	4,898	2,960
Income tax payable		3,377	1,033	–	–
		66,310	42,762	7,798	8,967
Net current assets		29,831	46,462	11,204	20,428
Non-current liabilities					
Deferred tax liabilities	10	629	508	80	167
Loans and borrowings	22	8,162	4,480	7,718	3,186
Provisions	23	807	827	–	–
Deferred income	24	821	1,422	–	–
		10,419	7,237	7,798	3,353
Total liabilities		76,729	49,999	15,596	12,320
Net assets		63,842	67,082	71,983	68,834
Equity attributable to owners of the Company					
Share capital	25	70,938	70,068	70,938	70,068
Retained earnings		15,973	20,052	598	(1,442)
Other reserves	26	(23,069)	(23,038)	447	208
		63,842	67,082	71,983	68,834
Non-controlling interests*		–	–	–	–
Total equity		63,842	67,082	71,983	68,834
Total equity and liabilities		140,571	117,081	87,578	81,154

*: Less than $1,000

The accompanying accounting policies and explanatory notes form an integral part of the consolidated financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Share Capital (Note 25) $'000	Retained earnings $'000	Other reserves (Note 26) $'000	Equity attributable to owners of the Company $'000	Total equity $'000
Balance as at 1 January 2017	**70,068**	**20,052**	**(23,038)**	**67,082**	**67,082**
Total comprehensive income for the financial year	**–**	**(2,749)**	**(270)**	**(3,019)**	**(3,019)**
<u>Contributions by and distributions to owners</u>					
Issuance of new shares pursuant to performance shares plan	**870**	**–**	**(870)**	**–**	**–**
Share based payment	**–**	**–**	**1,109**	**1,109**	**1,109**
Dividends on ordinary shares (Note 32)	**–**	**(1,330)**	**–**	**(1,330)**	**(1,330)**
	870	**(1,330)**	**239**	**(221)**	**(221)**
Balance as at 31 December 2017	**70,938**	**15,973**	**(23,069)**	**63,842**	**63,842**

Group	Share capital (Note 25) $'000	Retained earnings $'000	Other reserves (Note 26) $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 January 2016	33,062	14,913	(13,749)	34,226	98	34,324
Total comprehensive income for the financial year	–	5,139	(2,595)	2,544	–	2,544
<u>Contributions by and distributions to owners</u>						
Issuance of new shares pursuant to IPO	38,573	–	–	38,573	–	38,573
Share issue expenses	(1,567)	–	–	(1,567)	–	(1,567)
Share based payment	–	–	208	208	–	208
<u>Changes in ownership interests in subsidiaries</u>						
Acquisition of non-controlling interests of a subsidiary (Note 13)	–	–	(6,902)	(6,902)	(98)	(7,000)
	37,006	–	(6,694)	30,312	(98)	30,214
Balance as at 31 December 2016	70,068	20,052	(23,038)	67,082	–	67,082

The accompanying accounting policies and explanatory notes form an integral part of the consolidated financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	**Share capital (Note 25) $'000**	**Retained earnings $'000**	**Other Reserves (Note 26) $'000**	**Total equity $'000**
Balance at 1 January 2017	**70,068**	**(1,442)**	**208**	**68,834**
Total comprehensive income for the year	**–**	**3,370**	**–**	**3,370**
Contributions by and distributions to owners				
Issuance of new shares pursuant to performance share plan	**870**	**–**	**(870)**	**–**
Share based payment	**–**	**–**	**1,109**	**1,109**
Dividends on ordinary shares (Note 32)	**–**	**(1,330)**	**–**	**(1,330)**
Balance at 31 December 2017	**70,938**	**598**	**447**	**71,983**

Company	**Share capital (Note 25) $'000**	**Retained earnings $'000**	**Other Reserves (Note 26) $'000**	**Total equity $'000**
Balance at 1 January 2016	33,062	374	–	33,436
Total comprehensive income for the year	–	(1,816)	–	(1,816)
Contributions by and distributions to owners				
Issuance of new shares pursuant to IPO	38,573	–	–	38,573
Share issue expenses	(1,567)	–	–	(1,567)
Share based payment	–	–	208	208
Balance at 31 December 2016	70,068	(1,442)	208	68,834

The accompanying accounting policies and explanatory notes form an integral part of the consolidated financial statements.

CONSOLIDATED **CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group	
		2017	2016
		$'000	$'000
Cash flows from operating activities			
(Loss)/profit before tax		**(2,276)**	7,614
Adjustments for:			
Depreciation of plant and equipment	12	**7,696**	3,677
Amortisation of intangible assets	14	**756**	756
Share based payment	27	**1,109**	208
Gain on bargain purchase		**–**	(1,243)
Loss/(gain) on disposal of plant and equipment	8	**178**	(41)
Gain on fair value of derivative financial asset	5	**(1,044)**	–
Interest income	5	**(163)**	(165)
Interest expenses	7	**737**	729
Inventories written down	8	**2,748**	2,123
Allowance for impairment on trade receivables	8	**1,135**	245
Plant and equipment written off		**–**	92
Unrealised exchange gain		**(842)**	(1,320)
Operating cash flows before changes in working capital		**10,034**	12,675
Increase in inventories		**(5,230)**	(3,750)
Increase in trade and other receivables		**(8,198)**	(7,917)
Increase in finance lease receivables		**(495)**	(1,787)
Increase in prepayments		**(2,566)**	(984)
Increase in deferred income		**17,075**	979
Increase in trade and other payables		**4,113**	1,362
Net cash generated from operations		**14,733**	578
Income taxes paid		**(1,352)**	(1,202)
Net cash generated from/(used in) operating activities		**13,381**	(624)
Cash flows from investing activities			
Purchase of plant and equipment		**(5,675)**	(5,390)
Proceeds from disposal of plant and equipment		**166**	502
Placement of fixed deposits pledged for banking facilities		**(1,141)**	–
Placement of fixed deposit		**(1,450)**	(3,000)
Proceeds from maturity of fixed deposits		**3,000**	–
Net outflow from acquisition of subsidiary (Note 13)		**(21,646)**	(2,003)
Decrease in amounts due from related companies		**327**	2,973
Decrease in amounts due from holding company		**2**	5,892
Interest received		**163**	165
Net cash used in investing activities		**(26,254)**	(861)

The accompanying accounting policies and explanatory notes form an integral part of the consolidated financial statements.

CONSOLIDATED **CASH FLOW STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group	
		2017	**2016**
		$'000	**$'000**
Cash flows from financing activities			
Issuance of share capital	25	**–**	38,573
Acquisition of non-controlling interest		**–**	(7,000)
Share issue expenses		**–**	(1,567)
Proceeds from loans and borrowings		**112,236**	75,079
Repayments of loans and borrowings		**(108,213)**	(75,176)
Decrease in amounts due to related companies		**–**	(3)
Increase/(decrease) in amounts due to holding company		**318**	(4,095)
Decrease in amounts due to directors		**–**	(1,428)
Dividends paid		**(1,330)**	–
Interest paid		**(737)**	(729)
Net cash generated from financing activities		**2,274**	23,654
Net (decrease)/increase in cash and cash equivalents		**(10,599)**	22,169
Effect of exchange rate changes on cash and cash equivalents		**9**	(11)
Cash and cash equivalents at beginning of the financial year		**26,263**	4,105
Cash and cash equivalents at end of the financial year (Note 20)		**15,673**	26,263

The accompanying accounting policies and explanatory notes form an integral part of the consolidated financial statements.

NOTES TO THE **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.

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 Company are those of wholesale of computer hardware and peripheral equipment and investment holding. The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The Company and its subsidiaries are considered to be *de facto* subsidiaries of DeClout Limited. In this connection, the immediate and ultimate holding company of the Company is DeClout Limited, which is incorporated in Singapore and listed on the Catalist Board of the SGX-ST.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRSs").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the SGX-ST will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

On transition to SFRS(I), the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $3,062,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of SFRS(I)15 and SFRS(I)9, the Group expects that the adoption of the SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I)15 and SFRS(I)9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfer of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
Amendments to FRS 28 *Long-term interest in Associates and Joint Ventures*	1 January 2019
INT FRS 122 *Foreign Currency Transactions and Advance Considerations*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2018
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Date to be determined

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standard that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I)9, SFRS(I)15 and SFRS(I)16, the directors expect that the adoption of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I)9, SFRS(I)15 and SFRS(I)16 are described below.

SFRS(I)15 *Revenue from Contracts with Customers*

SFRS(I)15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I)15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting SFRS(I)15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I)15 in 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

SFRS(I)15 *Revenue from Contracts with Customers* (Continued)

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedient:

– For completed contracts, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 January 2017.

The Group expects the following impact upon adoption of SFRS(I)15:

– Accounting for certain costs incurred in obtaining a contract – certain costs which are currently expensed may need to be recognized as an asset under FRS 115.

The Group incurred commissions costs to employees as target incentives on the sales contract and currently recognises such commissions as expense when incurred. Under SFRS(I)15, the Group will capitalise such commissions as incremental costs to obtain a contract with a customer if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue.

Upon adoption of FRS 115, the Group expects to capitalise such contract asset with a related decrease to marketing and distribution expense for the financial year ended 31 December 2017.

SFRS(I)9 *Financial Instruments*

SFRS(I)9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I)9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting SFRS(I)9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I)9 in 2018.

(a) Classification and measurement

The Group does not expect significant changes to the measurement basis arising from adopting the new classification and measurement model under SFRS(I)9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (Continued)

SFRS(I)9 *Financial Instruments* (Continued)

(b) Impairment

SFRS(I)9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects that due to unsecured nature of its loans and receivables, the loss allowance would increase.

SFRS(I)16 *Leases*

SFRS(I)16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(a) Basis of consolidation (Continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss; and

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) Business combinations and goodwill (Continued)

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the date of balance sheet.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (Continued)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Plant and equipment

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	–	4 to 10 years
Restoration costs	–	5 years
Plant and equipment	–	3 to 6 years
Maintenance parts	–	5 years
Motor vehicles	–	5 to 10 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

Amortisation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Customer relationship	–	4 years
Technical know-how	–	5 years

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes derivative financial instruments entered into by the Group.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.12 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Computer equipments and peripherals: purchase costs on a first-in first-out basis or specific identification method.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Employee benefits

(a) Defined contributions plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Share-based payments

(i) DeClout ESOS and PSP

The Company's holding company has in place performance share plans for the granting of share options and shares to eligible executives of the Group. Details of the share plans are disclosed in Note 27.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the options or awards at the date on which the share options or awards are granted. The holding company recharges this cost to the Group based on fair value of the option or awards at the grant date.

This cost is recognised in the statement of comprehensive income, with a corresponding increase in the amount owing to the holding company, over the vesting period in which the service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). At each balance sheet date, the holding company revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and the Group recognises the impact of the revision of the estimates in the statement of comprehensive income, with a corresponding adjustment to the amount owing to the holding company over the remaining vesting period.

No expense is recognised for options or awards that do not ultimately vest.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (Continued)

(b) Share-based payments (Continued)

(ii) Procurri PSP

Benefits to employees are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, which takes into account market conditions and non-vesting conditions. This cost is charged to profit or less over the vesting period, with a corresponding increase in the share-based payment reserve. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of shares that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period and is recognised in employee benefits expense.

2.17 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is de-recognised and the present value of the lease receivable is recognised on the balance sheet. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases (Continued)

(b) As lessor (Continued)

Each lease payment received is applied against the gross receivable in the finance lease receivable to reduce both the principal and the unearned finance income.

Initial direct cost incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease receivable.

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.18(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from rendering of services is recognised when the services is rendered.

(c) Equipment rental and leasing income

Equipment rental and leasing income arising from operating leases on equipment is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

(d) Finder's fee

Finder's fee is a commission received as a facilitator of a transaction. Revenue from finder's fee is recognised when the Group's right to receive payment is established.

(e) Interest income

Interest income is recognised using the effective interest method.

2.19 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.21 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognised on the balance sheet of the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Impairment assessment of trade receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.1 Judgements made in applying accounting policies (Continued)

(a) Impairment assessment of trade receivables (Continued)

Where there is objective evidence of impairment, significant judgement is made by management in assessing the amount to impair. The carrying amount of the Group's trade receivables at the end of the reporting period is disclosed in Note 17 to the financial statements.

(b) Accounting for business combination

During the financial year ended 2017, the Group through, one of its subsidiaries entered into an agreement with Congruity LLC in which the Group subscribed to a 51% equity interest in Rockland Congruity LLC ("Rockland") and acquired maintenance parts from Congruity LLC. The Group has determined that the transaction is a business combination. Management performed a Purchase Price Allocation ("PPA") exercise by allocating the purchase price to various identifiable assets and liabilities acquired from the new business. Significant management judgement is required in assessing whether the Group has control over Rockland and whether the transaction meets the definition of business combination. In addition, the management also exercised judgement in identifying and ascribing fair value to acquired assets and assumed liabilities. Please refer to Note 13 for more details.

(c) 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. The carrying amount of inventories stated at net realisable value and the related allowance for write down as at 31 December 2017 was $21,424,000 (2016: $15,641,000) and $2,748,000 (2016: $2,123,000) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment assessment of goodwill

As disclosed in Note 14 to the financial statements, the recoverable amounts of the cash generating units to which goodwill has been allocated are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. 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. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14 to the financial statements.

The carrying amount of the goodwill as at 31 December 2017 is disclosed in Note 14.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. REVENUE

	Group	
	2017	**2016**
	$'000	**$'000**
Sale of goods	**139,862**	104,681
Rendering of services	**39,081**	26,426
Equipment rental and leasing	**2,787**	3,675
Finder's fee	**92**	968
	181,822	135,750

5. OTHER INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
Interest income	**163**	165
Government grants	**67**	55
Recovery of freight costs	**593**	479
Sales of other ancillary services	**1,009**	504
Rental of premises	**9**	63
Gain on bargain purchase	**–**	1,243
Gain on fair value of derivative financial asset (Note 19)	**1,044**	–
Others	**245**	206
	3,130	2,715

6. EMPLOYEE BENEFITS EXPENSE

	Group	
	2017	**2016**
	$'000	**$'000**
Salaries, allowances, bonuses and commissions	**38,728**	24,220
Contributions to defined contribution plan	**2,041**	1,498
Share-based payments (Note 27)	**1,109**	208
Share-based payments recharged by holding company	**–**	124
Other short-term benefits	**4,022**	2,220
	45,900	28,270

The employee benefits expense is charged under:

Administrative expenses	**32,391**	17,212
Cost of sales	**4,104**	2,065
Selling expenses	**9,405**	8,993
	45,900	28,270

7. FINANCE COSTS

	Group	
	2017	**2016**
	$'000	**$'000**
Interest expense on loans and borrowings	**737**	729

8. OTHER CHARGES, NET

	Group	
	2017	**2016**
	$'000	**$'000**
Other charges		
Inventories written down (Note 16)	**(2,748)**	(2,123)
Allowance for impairment on trade receivables (Note 17)	**(1,135)**	(245)
Plant and equipment written off (Note 12)	**–**	(92)
Impairment of staff advance	**(722)**	–
Foreign exchange loss	**(783)**	–
Loss on disposal of plant and equipment	**(178)**	–
	(5,566)	(2,460)
Other credits		
Foreign exchange gain	**–**	1,256
Gain on disposal of plant and equipment	**–**	41
	–	1,297
Other charges, net	**(5,566)**	(1,163)

9. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group	
	2017	**2016**
	$'000	**$'000**
Audit fees to auditors of the Company	**190**	150
Audit fees to other member firms of EY Global	**168**	73
Audit fees to other auditors	**369**	283
Non-audit fees to auditors of the Company	**88**	45
Non-audit fees to other auditors	**259**	145
Employee benefits expense (Note 6)	**45,900**	28,270
Rental of premises	**3,688**	2,094
Depreciation of plant and equipment (Note 12)	**7,696**	3,677
Amortisation of intangible assets (Note 14)	**756**	756
Professional fees	**1,576**	1,620
Directors fees	**254**	137
IPO expense	**–**	2,181

10. INCOME TAX EXPENSE

Components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2017 and 2016 are:

	Group	
	2017	**2016**
	$'000	**$'000**
Current income tax:		
Current income taxation	**(971)**	(1,690)
(Under)/over provision in respect of previous years	**(17)**	18
	(988)	(1,672)
Deferred income tax:		
Origination and reversal of temporary differences	**304**	(360)
Effect of changes in tax rate	**113**	–
Over/(under) provision in respect of previous years	**98**	(443)
	515	(803)
Income tax expense recognised in profit or loss	**(473)**	(2,475)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
(Loss)/profit before tax	**(2,276)**	7,614
Tax at the domestic rates applicable to (loss)/profits in the countries where the Group operates	**(357)**	(1,908)
Non-deductible expenses	**(565)**	(693)
Income not subject to tax	**166**	268
Effect of partial tax exemption, tax incentives and tax relief	**32**	201
(Under)/over provision of income tax expense in respect of previous years	**(17)**	18
Under provision of deferred income tax expense in respect of previous years	**–**	(443)
Effect of changes in tax rate	**113**	–
Utilisation of previously unrecognized deferred tax asset	**98**	–
Others	**57**	82
	(473)	(2,475)

10. **INCOME TAX EXPENSE** (CONTINUED)

Deferred tax credit/(expense) recognised in profit or loss includes:

	Group	
	2017	**2016**
	$'000	**$'000**
Fair value adjustments on acquisition of subsidiary	**47**	136
Excess of net book value of plant and equipment over tax values	**(345)**	61
Unutilised tax losses	**(17)**	175
Unutilised capital allowances	**367**	(767)
Provisions	**315**	(30)
Over/(under) provision in respect of previous years	**98**	(443)
Others	**50**	65
Total deferred tax credit/(expense) recognised in profit or loss	**515**	(803)

Deferred tax balance in balance sheets:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets/(liabilities)				
Fair value adjustments on acquisition of subsidiary	**(15)**	(62)	**–**	–
Excess of net book value of plant and equipment over tax values	**(974)**	(679)	**(594)**	(383)
Unutilised tax losses	**158**	175	**–**	–
Unutilised capital allowances	**578**	211	**511**	211
Provisions	**764**	401	**3**	5
Others	**50**	–	**–**	–
	561	46	**(80)**	(167)
Presented in the statements of financial position as follow:				
Deferred tax assets	**1,190**	554	**–**	–
Deferred tax liabilities	**(629)**	(508)	**(80)**	(167)
	561	46	**(80)**	(167)

Changes in corporate tax rates (inclusive of local state tax rates, where applicable) are as follows:

– United states: from 40% to 27% (1 January 2018 onwards)

– United Kingdom: from 20% to 19% (1 April 2017 onwards) to 17% (1 April 2020 onwards)

Unrecognised temporary differences relating to investments in subsidiaries

The Group has not recognised deferred tax liability in respect of undistributed profits of subsidiaries because the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised amounted to $13,670,000 (2016: $11,253,000). The deferred tax liability is estimated to be $1,366,000 (2016: $1,027,000).

Unrecognized tax losses and capital allowance

At the end of the reporting period the Group has tax losses of approximately $1,897,000 (2016: $2,145,000) and capital allowance of $780,000 (2016: $1,020,000) that are available for offset against future taxable profits of the Company in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of the country in which the subsidiary operates.

10. INCOME TAX EXPENSE (CONTINUED)

Deferred tax balance in balance sheets: (Continued)

Tax consequences of proposed dividends

There are no income tax consequences (2016: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

11. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing profit, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The diluted earnings per share is calculated by dividing profit, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	2017 $'000	2016 $'000
(Loss)/Profit for the year attributable to owners of the Company	**(2,749)**	5,139

	No. of shares '000	No. of Shares '000
Weighted average number of ordinary shares for earnings per share computation	**280,118**	242,069
Effect of dilutions:		
– Contingently issuable performance shares	**4,954**	579
Weighted average number of ordinary shares for diluted earnings per share computation	**285,072**	242,648

	2017	2016
Earnings per share attributable to owners of the Company (cents per share)		
Basic	**(0.98)**	2.12
Diluted	**(0.98)**	2.12

12. PLANT AND EQUIPMENT

Group	Leasehold improvement $'000	Restoration costs $'000	Plant and equipment $'000	Maintenance parts $'000	Motor vehicles $'000	Total $'000
Cost						
At 1 January 2016	1,499	70	5,862	7,104	31	14,566
Additions	1,812	–	1,515	3,676	79	7,082
Arising from acquisition of business	63	–	135	–	–	198
Disposals	(1,064)	–	(1,668)	–	(2)	(2,734)
Write-off	–	–	–	(173)	–	(173)
Exchange differences	(112)	–	(180)	(30)	(4)	(326)
At 31 December 2016 and 1 January 2017	2,198	70	5,664	10,577	104	18,613
Additions	102	70	1,805	3,672	26	5,675
Arising from acquisition of business (Note 13)	–	–	–	16,755	–	16,755
Disposals	–	–	–	(415)	–	(415)
Reclassification from inventories	–	–	1,638	–	–	1,638
Exchange differences	10	–	(62)	(78)	(4)	(134)
At 31 December 2017	2,310	140	9,045	30,511	126	42,132
Accumulated depreciation						
At 1 January 2016	721	40	1,867	2,901	15	5,544
Depreciation for the financial year	444	14	1,747	1,443	29	3,677
Disposals	(674)	–	(917)	66	–	(1,525)
Write-off	–	–	–	(81)	–	(81)
Exchange differences	(84)	–	(186)	(30)	(6)	(306)
At 31 December 2016 and 1 January 2017	407	54	2,511	4,299	38	7,309
Depreciation for the financial year	580	23	2,526	4,538	29	7,696
Disposals	–	–	–	(71)	–	(71)
Exchange differences	3	–	(225)	44	(2)	(180)
At 31 December 2017	990	77	4,812	8,810	65	14,754
Net book value						
At 31 December 2016	1,791	16	3,153	6,278	66	11,304
At 31 December 2017	1,320	63	4,233	21,701	61	27,378

12. PLANT AND EQUIPMENT (CONTINUED)

Company	**Leasehold improvement $'000**	**Plant and equipment $'000**	**Maintenance parts $'000**	**Total $'000**
Cost				
At 1 January 2016	–	1,394	–	1,394
Additions	1,796	266	5,644	7,706
At 31 December 2016 and 1 January 2017	1,796	1,660	5,644	9,100
Additions	3	86	21,276	21,365
Disposal	–	–	(337)	(337)
At 31 December 2017	1,799	1,746	26,583	30,128
Accumulated depreciation				
At 1 January 2016	–	655	–	655
Depreciation for the year	258	510	561	1,329
At 31 December 2016 and 1 January 2017	258	1,165	561	1,984
Depreciation for the year	460	363	4,343	5,166
Disposal	–	–	(29)	(29)
At 31 December 2017	718	1,528	4,875	7,121
Net book value				
At 31 December 2016	1,538	495	5,083	7,116
At 31 December 2017	1,081	218	21,708	23,007

The depreciation expense is charged under:

	Group	
	2017 $'000	**2016 $'000**
Cost of sales	**5,860**	1,860
Administrative expenses	**1,836**	1,817
	7,696	3,677

Purchase of plant and equipment (non-cash)

There was no acquisition of plant and equipment by the Group acquired by means of finance lease for 2017 (2016: $127,000).

Assets held under finance leases

The carrying amount of plant and equipment of the Group held under finance leases as at 31 December 2017 is $1,121,000 (2016: $Nil).

Assets leased out under operating leases

The carrying amount of plant and equipment of the Group leased out under operating leases as at 31 December 2017 is $2,338,000 (2016: $1,020,000).

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	$'000	$'000
Cost at the beginning of the year	**42,564**	35,369
Additions	**1,446**	7,195
Cost at the end of the year	**44,010**	42,564
Total cost comprising:		
Unquoted equity shares at cost	**44,010**	42,564

Composition of the Group

The Group has the following significant investments in subsidiaries.

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2017 %	2016 %
Procurri Singapore Pte. Ltd. ("Procurri Singapore")[a] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment	**100**	100
Procurri Malaysia Sdn. Bhd. ("Procurri Malaysia")[c] Malaysia	Sales of all kinds of computer systems and hardware, provision of maintenance and related services, and rental of computer parts and fully configured servers	**100**	100
Procurri Asia Pacific Pte. Ltd. ("Procurri Asia Pacific")[a] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment	**100**	100
ASVIDA UK Limited[c] United Kingdom	Investment holding	**100**	100
Procurri India Private Limited[e] India	Business of hardware sales, maintenance and services	**100**	–
Held through Procurri Asia Pacific:			
Procurri Beijing Co., Ltd.[c] China, Beijing	Repair and maintenance of computer hardware and peripherals, and data processing equipment; computer network and system integration design, installation, commissioning, maintenance, and the provision of technical advice and services; data processing; enterprise management consulting; and wholesale, import and export of computer hardware and peripheral equipment	**100**	100

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2017 %	2016 %
Held through ASVIDA UK Limited:			
Procurri LLC[d] United States	Business of provision of information technology solutions	**100**	100
Procurri Europe Limited[b] [f] United Kingdom	Investment holding	**100**	100
Held through Procurri Europe Limited:			
Procurri UK Limited[b] United Kingdom	Engage in the global market for the refurbishment and subsequent sale of second user and reconfigured mid-range to high end IT equipment	**100**	100
Held through Procurri LLC:			
Procurri S. de R.L. de C.V.[d] Mexico	Business of provision of information technology solutions	**100**	100
Rockland Congruity LLC[d] United States	Engage in IT hardware and enterprise support by offering independent maintenance and IT support services in the Americas	**51**	–
Held through Procurri UK Limited:			
EAF Supply Chain Holdings Limited[b] United Kingdom	Investment holding	**100**	100
Held through EAF Supply Chain Holdings Limited:			
EAF Supply Chain Limited[b] United Kingdom	Distribution of information technology (IT) spare parts	**100**	100

(a) Audited by Ernst & Young LLP in Singapore.
(b) Audited by member firms of EY Global in the respective countries.
(c) These subsidiaries are not significant to the Group and are audited by other firms of accountants other than member firms of Ernst & Young.
(d) Audited by Moore Stephens Tiller LLC.
(e) Incorporated during the year.
(f) Previously known as Tinglobal Holdings Limited ("Tinglobal").

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary

(a) Rockland Congruity LLC

On 23 January 2017, the Group, through one of its subsidiaries, Procurri LLC, entered into an operating agreement with Congruity LLC ("Congruity") to provide a platform for the sale of refurbished technology hardware and to provide third party IT maintenance and support services to customers.

The Group and Congruity incorporated a Delaware Limited Liability Company, Rockland Congruity LLC("Rockland") in which the Group subscribed to a 51% equity interest in Rockland for US$51. The Group also acquired from Congruity US$3.5 million of inventories for trading purpose and US$12 million of maintenance parts required for the Group's third party maintenance business. The President of Rockland is appointed by Congruity, however, the Group has the ability to direct the relevant activities of Rockland through its 51% equity interest and other rights over financial and operational matters given in the operating agreement.

The material terms under the operating agreement are as follows:

(i) Congruity has assigned to the Group its rights to distributions in respect of its 49% interest in Rockland, for the period of two years commencing from date of incorporation of Rockland to 31 December 2018.

(ii) A call option has been granted to the Group to acquire the remaining 49% membership interest in Rockland from Congruity at an agreed formula with reference to Rockland's 2018 audited financials.

(iii) In the event that the audited net tangible assets ("NTA") of Rockland at 31 December 2018 is less than US$9.7million, Congruity shall pay the NTA shortfall, being the difference between US$9.7million and the actual FY2018 NTA, in cash to Rockland contemporaneous with the Group's purchase of the remaining 49% membership interest in Rockland.

The Group has accounted for the transaction as a business combination due to the following reasons:

(i) The sales and technical personnel from Congruity are the main inputs to a process that is capable of creating the output to achieve the purpose of the business

(ii) As a result of the non-compete clause in the operating agreement, the maintenance business of Congruity will be conducted by Rockland.

The fair values of identifiable assets acquired and liabilities assumed as at the acquisition date were:

	$'000
Fair values of identifiable assets and liabilities	
Plant and equipment	16,755
Inventories	4,891
Purchase consideration representing net cash outflow from acquisition of subsidiary	21,646

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary (Continued)

(a) Rockland Congruity LLC (Continued)

There were no customer contracts novated to Rockland. Management has also assessed the value of customer relationship to be immaterial. There were no liabilities assumed as Rockland was newly incorporated.

Transaction costs

Transaction costs related to the acquisition of $58,000 have been recognised in the profit or loss.

Impact of the acquisition on profit or loss

From the acquisition date, Rockland has contributed $33,084,000 of revenue and $4,554,000 of net profit after tax to the Group's loss for the year. If the business combination has taken place at the beginning of the year, the revenue and loss after tax of the Group would have been $181,822,000 and $2,749,000 respectively.

14. INTANGIBLE ASSETS

Group	Goodwill $'000	Customer relationship $'000	Technical know how $'000	Total $'000
Cost				
At 1 January 2016	13,755	941	2,598	17,294
Exchange differences	(1,777)	(46)	–	(1,823)
At 31 December 2016 and 1 January 2017	11,978	895	2,598	15,471
Exchange differences	219	39	–	258
At 31 December 2017	12,197	934	2,598	15,729
Accumulated amortisation and impairment				
At 1 January 2016	–	393	–	393
Amortisation for the financial year (Note 9)	–	237	519	756
At 31 December 2016 and 1 January 2017	–	630	519	1,149
Amortisation for the financial year (Note 9)	–	237	519	756
At 31 December 2017	–	867	1,038	1,905
Net book value				
At 31 December 2016	11,978	265	2,079	14,322
At 31 December 2017	12,197	67	1,560	13,824

14. INTANGIBLE ASSETS (CONTINUED)

Technical know how	Company 2017 $'000	Company 2016 $'000
Cost		
As at 1 January	**2,598**	2,598
Additions	**–**	–
Accumulated amortisation and impairment		
As at 1 January	**519**	–
Amortisation for the financial year	**519**	519
Net book value	**1,560**	2,079

Goodwill

Goodwill arising from the acquisitions has been allocated to the following cash generating units:

	Group 2017 $'000	Group 2016 $'000
Tinglobal[a]	**9,632**	9,468
Procurri Malaysia[b]	**2,565**	2,510
	12,197	11,978

(a) The recoverable amount was determined based on the value-in-use method. The value in use was measured by management using a discounted cash flow model covering a five-year period (2016: five-year period). Cash flow projections were based on a three-year budget and plans approved by management. Cash flow projections have been extrapolated on the basis at 2% to 15% (2016: 20% to 31%) growth rate on revenue. A terminal growth rate of 1% (2016: 1%) was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 8.00% (2016: 7.00%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognised as the carrying amount of the goodwill was lower than its recoverable amount. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable amount.

(b) The recoverable amount was determined based on the value-in-use method. The value in use was measured by management using a discounted cash flow model covering a five-year period (2016: five-year period). Cash flow projections were based on a three-year budget and plans approved by management. Cash flow projections have been extrapolated on the basis at -3% to 15% (2016: 20% to 39%) growth rate on revenue. A terminal growth rate of 1% (2016: 1%) was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 8.00% (2016: 10.00%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognised as the carrying amount of the goodwill was lower than its recoverable amount. Management believes that no reasonably possible change to any of the above key assumptions would cause the carrying value to materially exceed the recoverable amount.

15. FINANCE LEASE RECEIVABLES

Group

2017	**Minimum payments $'000**	**Finance charges $'000**	**Present value $'000**
Minimum lease payments receivable:			
Due within one year	**1,550**	**(117)**	**1,433**
Due between two to five years	**2,070**	**(32)**	**2,038**
	3,620	**(149)**	**3,471**
2016			
Minimum lease payments receivable:			
Due within one year	1,466	(167)	1,299
Due between two to five years	1,781	(104)	1,677
	3,247	(271)	2,976

The average lease term is two to five years (2016: two to five years). The average effective interest rate is 1.69% to 6.78% (2016: 2.35% to 7.72%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental receipts. The fair value of the finance lease receivables approximates the carrying value.

16. INVENTORIES

	Group	
	2017 $'000	**2016 $'000**
Balance sheet:		
Computer equipment and peripheral equipment held for sale	**21,424**	15,641
Income statement:		
Inventories recognised as an expense in cost of sales	**96,496**	70,487
Other inventory charges:		
– Inventories written down (Note 8)	**2,748**	2,123

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables				
– third parties	**44,036**	36,297	**726**	336
Less: Allowance for impairment	**(705)**	(555)	**–**	–
	43,331	35,742	**726**	336
– amount due from subsidiaries	**–**	–	**4,312**	166
– amount due from related companies	**25**	75	**–**	–
Total trade receivables, net	**43,356**	35,817	**5,038**	502
Other receivables				
– third parties	**212**	2	**70**	473
– sales tax receivables	**1,013**	1,052	**–**	–
– advances to staff	**511**	773	**–**	–
– indemnification assets	**421**	421	**–**	–
– deposit	**996**	1,016	**137**	131
– amount due from holding company	**–**	2	**–**	–
– amounts due from subsidiaries	**–**	–	**1,039**	6,012
– amounts due from related companies	**–**	327	**–**	–
– loans to subsidiaries	**–**	–	**6,789**	4,096
– tax recoverable	**2,168**	–	**–**	–
	5,321	3,593	**8,035**	10,712
Less: Allowance for impairment	**(330)**	–	**–**	–
Total other receivables, net	**4,991**	3,593	**8,035**	10,712
Total trade and other receivables	**48,347**	39,410	**13,073**	11,214
Add: Cash and bank balances (Note 20)	**18,459**	30,006	**5,911**	18,170
Less: Sales tax receivables	**(1,013)**	(1,052)	**–**	–
Tax recoverable	**(2,168)**	–	**–**	–
Total loans and receivables	**63,625**	68,364	**18,984**	29,384

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 day terms. They are recognised at their original invoice accounts which represent their fair values on initial recognition.

Included within trade receivables from third parties are factored receivables of $3,480,000 (2016: $2,726,000) transferred to a factoring bank (Note 22).

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group has the following trade and other receivables that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the report period is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other receivables past due but not impaired				
Less than 30 days	**8,978**	8,481	**725**	233
30 – 60 days	**3,639**	3,426	**499**	78
61 – 90 days	**2,015**	1,856	**480**	114
Over 90 days	**6,105**	3,914	**1,468**	–
	20,737	17,677	**3,172**	425

Receivables that are impaired

The Group's trade and other receivables that are recognised at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other receivables – nominal amounts	**1,867**	555	**–**	–
Less: Allowance for impairment	**(1,035)**	(555)	**–**	–
Balance at end of the year	**832**	–	**–**	–
Movements in allowance for impairment:				
Balance at beginning of the financial year	**555**	749	**–**	–
Charge for the year (Note 8)	**1,135**	245	**–**	–
Written off	**(655)**	(439)	**–**	–
Balance at end of the year	**1,035**	555	**–**	–

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are impaired (Continued)

As at 31 December, the following amounts denominated in a currency other than the entity's functional currency are included in the trade receivables for the Group and the Company:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
SGD	**703**	–	**–**	–
USD	**2,198**	6,558	**3,117**	1,451
GBP	**105**	–	**–**	–
EUR	**1,849**	2,081	**–**	–

Other receivables

Amounts due from holding company, subsidiaries and related companies are unsecured, non-interest bearing and repayable on demand by cash.

Loans to subsidiaries are unsecured, bears interest ranging from 2.5% to 5.5% (2016: 2.5%), repayable within next twelve months and are to be settled in cash.

All loans to subsidiaries are denominated in SGD except for two loans to subsidiaries amounting to $5,465,000 that are denominated in USD.

Indemnification assets

The indemnification assets arising from acquisition of EAF Supply Chain Holdings Limited ("EAF") in 2016 relates to indemnification from previous shareholders of EAF for dilapidations claim in respect of a leasehold premises and a potential claim from a supplier, approximately amounted to $421,000 (2016: 421,000). Provision for claims is disclosed in Note 23. The indemnification will be released in August 2018.

18. PREPAYMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Advances to suppliers	**4,898**	2,550	**1**	–
Prepayments	**536**	318	**17**	11
	5,434	2,868	**18**	11

19. DERIVATIVE FINANCIAL ASSET

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Call option, representing total financial asset at fair value through profit or loss	**1,044**	–	**–**	–

Please refer to Note 13(a) (ii) and (iii) for more details. As the NTA shortfall can only be recovered if the Group exercises the call option to purchase the 49% interest in Rockland, it is factored in as part of the value of the call option. The fair value is estimated using price earnings ratio of comparable companies similar to the Rockland business and the probability of meeting the Rockland NTA target (level 3 of the fair value hierarchy). Had the price earnings ratio increased or decreased by 0.5 times, the fair value gain will increase by $1,667,000 or decrease by $1,044,000 respectively. Had the probability of meeting the Rockland NTA target increased or decreased by 10%, the fair value gain will increase or decrease by $172,000.

20. CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**18,459**	30,006	**5,911**	18,170
Less: Bank overdrafts (Note 22)	**–**	(548)	**–**	–
	18,459	29,458	**5,911**	18,170
Less: Pledged deposits	**(1,336)**	(195)	**(1,336)**	–
Less: Fixed deposit	**(1,450)**	(3,000)	**(1,337)**	(3,000)
Cash and cash equivalents	**15,673**	26,263	**3,238**	15,170

Pledged deposits represent amounts held by banks as security for bank overdrafts and facilities (Note 22).

Fixed deposit is made for a period of twelve months (2016: six months) and earns interest at 1.21% (2016: 1.08%).

As at 31 December, the following amounts denominated in a currency other than the entity's functional currency are included in the cash and bank balance for the Group and Company.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
USD	**8,269**	1,022	**5,452**	99
EUR	**1,269**	1,208	**–**	–

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– third parties	**14,787**	15,913	**70**	145
– amount due to subsidiaries	**–**	–	**1,033**	427
	14,787	15,913	**1,103**	572
Other payables				
– third parties	**360**	231	**182**	134
– sales tax payable	**437**	2	**–**	–
– accrued operating expenses	**13,019**	8,291	**611**	403
– amount due to holding company	**551**	233	**551**	280
– amount due to subsidiaries	**–**	–	**5**	4,618
– loan to subsidiary	**–**	–	**448**	–
	14,367	8,757	**1,797**	5,435
Total trade and other payables	**29,154**	24,670	**2,900**	6,007
Add: Loans and borrowing (Note 22)	**21,414**	18,087	**12,616**	6,146
Less: Sales tax payable	**(437)**	(2)	**–**	–
Total financial liabilities carried at amortised cost	**50,131**	42,755	**15,516**	12,153

Trade payables are non-interest bearing and normally settled on 60-day terms.

Amounts due to holding company and subsidiaries are unsecured, non-interest bearing and repayable on demand.

As at 31 December, the following amounts denominated in a currency other than the entity's functional currency are included in the trade payables for the Group and the Company.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
USD	**541**	276	**1,090**	12
EUR	**1,183**	962	**–**	–
SGD	**1,596**	–	**–**	–

22. LOANS AND BORROWINGS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Bank loans	**4,907**	2,959	**4,898**	2,960
Revolving loans	**–**	2,050	**–**	–
Bank overdrafts	**–**	548	**–**	–
Finance lease obligations	**851**	868	**–**	–
Trade receivables factoring	**3,480**	2,726	**–**	–
Trust receipts	**3,764**	4,090	**–**	–
Others	**250**	366	**–**	–
	13,252	13,607	**4,898**	2,960
Non-current				
Bank term loans	**7,718**	3,186	**7,718**	3,186
Finance lease obligations	**444**	1,294	**–**	–
	8,162	4,480	**7,718**	3,186
	21,414	18,087	**12,616**	6,146

Bank loans

Bank loans are unsecured and covered by a corporate guarantee by certain subsidiaries (2016: by the holding company) and repayable in 3 to 36 (2016: 3 to 44) monthly instalments. The amount bears effective interest rates ranging from 3.23% to 5.10% (2016: ranging from 2.18% to 4.85%) per annum.

During the current financial year, the Group breached the covenants of term loans and trust receipt facilities amounting to $9,358,000 and $2,563,000 respectively. The Group did not fulfil the requirement to maintain the earnings before interest, tax, depreciation and amortisation against the debt servicing ratio for a term loan and the fixed charge coverage for a trust receipts facility. Waivers were obtained from the respective banks before 31 December 2017.

Revolving loans

Revolving loans are unsecured and covered by a corporate guarantee by the holding company (2016: by the holding company) and repayable upon maturity. The amount bears effective interest rate of 3.75% (2016: 3.01% to 4.28%) per annum.

Bank overdrafts

Bank overdrafts bear effective interest rate of 2.5% to 2.8% per annum in 2016. They are secured by pledged deposits (Note 20). There is no bank overdraft in 2017.

22. LOANS AND BORROWINGS (CONTINUED)

Finance lease obligations

Group	**Minimum payments**	**Finance charges**	**Present value**
2017	**$'000**	**$'000**	**$'000**
Minimum lease payments payable:			
Due within one year	**892**	**(41)**	**851**
Due between two to five years	**450**	**(6)**	**444**
	1,342	**(47)**	**1,295**
2016			
Minimum lease payments payable:			
Due within one year	948	(80)	868
Due between two to five years	1,342	(48)	1,294
	2,290	(128)	2,162

The Group leases certain of its plant and equipment under finance lease obligations. The average lease term is three years (2016: three years). The interest rate for finance lease obligations is approximately 2.35% (2016: 2.35%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets.

Trade receivables factoring

Trade receivables factoring is secured by a charge over trade receivables balances of $3,480,000 (2016: $2,726,000) with recourse. The interest rate for the trade receivables factoring is 1.85% (2016: 2.1%) per annum.

Trust receipts

Trust receipts utilised by certain subsidiaries are secured by a corporate guarantee given by the Company and one subsidiary (2016: by the holding company). The interest rate for the trust receipts is approximately 3.22% to 3.26% (2016: 2.62% to 3.22%) per annum.

22. LOANS AND BORROWINGS (CONTINUED)

A reconciliation of liabilities arising from financing activities is as follows:

	2016 $'000	Cash flows $'000	Acquisition of subsidiary	Foreign exchange movements $'000	2017 $'000
Bank loans	6,145	(4,529)	11,157	(148)	12,625
Revolving loans	2,050	(2,050)	–	–	–
Finance lease obligations	2,162	(867)	–	–	1,295
Trade receivables factoring	2,726	754	–	–	3,480
Trust receipts	4,090	(326)	–	–	3,764
Others	366	(116)	–	–	250
Total loans and borrowings	17,539	(7,134)	11,157	(148)	21,414
Amount due to holding company	233	318	–	–	551
Total	17,772	(6,816)	11,157	(148)	21,965

As at 31 December, the following amounts denominated in a currency other than the entity's functional currency are included in the loans and borrowings for the Group and the Company.

	Group		Company	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
USD	**9,681**	–	**9,358**	–
EUR	**551**	–	**–**	–

23. PROVISIONS

Provision for reinstatement costs

	Group	
	2017 $'000	2016 $'000
At beginning/end of the financial year	**70**	70

The provision for reinstatement costs is based on the present value of costs to be incurred to remove leasehold improvement from leased properties. The estimate is based on quotations from external contractors. The remaining lease period is one to two years (2016: two to three years).

23. PROVISIONS (CONTINUED)

Provision for claims

	Group	
	2017	**2016**
	$'000	**$'000**
At beginning of the financial year	**757**	–
Arising from acquisition of subsidiary	**–**	757
Over accrual in prior year	**(32)**	
Exchange difference	**12**	–
At the end of the financial year	**737**	757
Total provisions	**807**	827

Provision for claims arises from acquisition of subsidiary relating to dilapidations claim in respect of a leasehold premises and a potential claim from a supplier, approximately amounted to $477,000 (2016: $499,000) and $260,000 (2016: $258,000) respectively.

Indemnification assets amounting to $421,000 (2016: $421,000) which arose from acquisition of subsidiary relating to indemnification from shareholders of EAF for dilapidations claim in respect of a leasehold premises and a potential claim from supplier, is recognised under other receivables from third parties (Note 17).

24. DEFERRED INCOME

Deferred income relates to payment received from customers for maintenance services. Revenue will be recognised on a straight line basis over the specified period of the maintenance contracts signed.

25. SHARE CAPITAL

	Group and Company	
	No. of ordinary shares	**Amount $'000**
Ordinary shares of no par value		
Balance at 1 January 2016	32,840	33,062
Sub-division of shares	211,120,000	33,062
Issuance of new shares pursuant to the IPO	68,880,000	38,573
Share issue expenses	–	(1,567)
Balance at 31 December 2016	280,000,000	70,068
Balance at 1 January 2017	280,000,000	70,068
Issuance of new shares pursuant to performance shares plan	2,056,600	870
Balance at 31 December 2017	282,056,600	70,938

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

26. OTHER RESERVES

Group 2017	Foreign currency translation reserve $'000	Merger reserve $'000	Premium on acquisition of non-controlling interest $'000	Share-based payment reserve (Note) $'000	Total $'000
At beginning of the financial year	**(3,062)**	**(4,420)**	**(15,764)**	**208**	**(23,038)**
Share-based payment	**–**	**–**	**–**	**1,109**	**1,109**
Issuance of shares pursuant to PSP	**–**	**–**	**–**	**(870)**	**(870)**
Exchange differences	**(270)**	**–**	**–**	**–**	**(270)**
At end of the financial year	**(3,332)**	**(4,420)**	**(15,764)**	**447**	**(23,069)**

Group 2016	Foreign currency translation reserve $'000	Merger reserve $'000	Premium on acquisition of non-controlling interest $'000	Share-based payment reserve (Note) $'000	Total $'000
At beginning of the financial year	(467)	(4,420)	(8,862)	–	(13,749)
Share-based payment	–	–	–	208	208
Acquisition of non-controlling interests of a subsidiary	–	–	(6,902)	–	(6,902)
Exchange differences	(2,595)	–	–	–	(2,595)
At end of the financial year	(3,062)	(4,420)	(15,764)	208	(23,038)

Foreign currency reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

Merger reserve

The merger reserve represents acquisition involving entities under common control. The reserve arises from the difference between the purchase consideration and the net assets acquired.

Premium on acquisition of non-controlling interest

Premium on acquisition of non-controlling interest comprises the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attributed to the owners of the Company.

27. SHARE-BASED COMPENSATION

	Group and Company 2017 $'000	Group and Company 2016 $'000
Performance share plan	**1,109**	208
Share-based payments recharged by holding company	**–**	124

27. SHARE-BASED COMPENSATION (CONTINUED)

Procurri PSP

The Group operates a Performance Share Plan ("the Procurri PSP") which was approved pursuant to a written resolution passed by the shareholders on 27 June 2016. The Procurri PSP is administered by the Awards Committee whose members are currently members of the RC.

Subject to the absolute discretion of the RC, awards may be granted to the following participants under the Procurri PSP:

– confirmed employees of the group;

– directors of the Company and/or any of its subsidiaries and/or any of its associated companies who perform an executive function; and

– directors of the Company and/or any of its subsidiaries, other than those who perform an executive function

(subject to the rules of the Procurri PSP).

The maximum number of shares issuable or to be transferred by the Company under the Procurri PSP, when aggregated with the aggregrate number of shares over which options or awards granted under any other share option schemes or schemes of the Company, will be 15% of the Company's total number of issued shares (excluding treasury shares) from time to time.

The number of shares to be issued will depend on the achievement of pre-determined targets at the end of the defined performance period. The shares have a vesting period of one to three years. The fair value of the awards granted was based on the last traded price of the Company's shares on the date of grant.

The table below summarises the number of shares which are the subject of the awards granted under the Procurri PSP that were outstanding, their fair value price as at the end of the reporting year, as well as the movement during the reporting year.

Grant date	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at beginning of the year	Number of shares which are the subject of the awards granted under the Procurri PSP granted during the year	Number of shares issued pursuant to the awards during the year	Number of shares lapsed pursuant to the awards during the year	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at end of the year	Market price per share
						$
2016						
1 September 2016	1,747,000	–	1,747,000	–	–	0.4467
2017						
18 May 2017	**–**	**5,414,500**	**309,600**	**344,000**	**4,760,900**	**0.2907**

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. SHARE-BASED COMPENSATION (CONTINUED)

Performance share plan reserve

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Balance at beginning of the year	**208**	–
Expense recognised in profit or loss	**1,109**	208
Issuance of shares pursuant to PSP	**(870)**	–
Balance at end of the year	**447**	208

Procurri Corporation Employee Share Option Scheme ("the Procurri ESOS")

The Group operates an Employee Share Option, the Procurri ESOS, which was approved pursuant to a written resolution passed by the shareholders on 27 June 2016.

Subject to the absolute discretion of the RC, awards may be granted to the following participants under the Procurri ESOS:

– confirmed employees of the group;

– directors of the Company and/or any of its subsidiaries and/or any of its associated companies who perform an executive function; and

– directors of the Company and/or any of its subsidiaries, other than those who perform an executive function

(subject to the rules of the Procurri ESOS).

The maximum number of shares issuable or to be transferred by the Company under the Procurri ESOS, when aggregated with the aggregate number of shares over which options or awards granted under any other share option schemes or schemes of the Company, will be 15% of the Company's total number of issued shares (excluding treasury shares) from time to time.

No awards have been granted under the Procurri ESOS for the financial years ended 31 December 2016 and 2017.

DeClout PSP

DeClout operates a Performance Share Plan ("DeClout PSP") which was approved pursuant to a written resolution passed by the shareholders of DeClout Limited on 5 October 2012. The DeClout PSP is administered by the DeClout Awards Committee whose members are currently members of the DeClout Remuneration Committee ("DRC").

The number of shares to be issued will depend on the achievement of pre-determined targets at the end of the defined performance period. The shares have a vesting period of one to three years. The fair value of the awards granted was based on the last traded price of the holding company's shares on the date of grant.

27. SHARE-BASED COMPENSATION (CONTINUED)

DeClout PSP (Continued)

The table below summarises the number of shares which is the subject of the awards granted under the DeClout PSP held by Procurri's employees that were outstanding, their fair value price as at the end of the reporting year, as well as the movement during the reporting year.

Grant date	Number of shares which are the subject of the awards granted under the DeClout PSP outstanding as at beginning of the year	Number of shares which are the subject of the awards granted under the DeClout PSP granted during the year	Number of shares pursuant to the awards issued during the year	Number of shares which are the subject of the awards granted under the DeClout PSP outstanding as at end of the year	Market price per share $
2017					
13 January 2015	**1,500,000**	**–**	**1,500,000**	**–**	**0.230**
24 March 2015	**500,000**	**–**	**500,000**	**–**	**0.245**
	2,000,000	**–**	**2,000,000**	**–**	
2016					
1 July 2014	500,000	–	(500,000)	–	0.280
13 January 2015	3,000,000	–	(1,500,000)	1,500,000	0.230
24 March 2015	500,000	–	–	500,000	0.245
	4,000,000	–	(2,000,000)	2,000,000	

28. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2017 $'000	**2016 $'000**
Holding company:		
Other income	**–**	15
Office rental expense	**–**	(70)
Performance share plan	**–**	124
Shared service charges	**(478)**	150
Related companies:		
Sales of goods and services	**27**	1,157
Other income	**11**	56
Purchases of goods and services	**–**	(2,363)
Purchases of leasehold improvement	**–**	(1,707)
Support service charges	**(72)**	(131)

* Less than $1,000

In addition to above, the Group sold US$350,000 to a related party in exchange for SGD equivalent amounting to $471,000 in 2017 (2016: $Nil).

28. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation

	Group	
	2017	**2016**
	$'000	**$'000**
Salaries and other short-term employee benefits	**3,505**	3,575
Share-based payment	**970**	363
	4,475	3,938

	Group	
	2017	**2016**
	$'000	**$'000**
Key management compensation comprises the following:		
Remuneration to directors of the Company	**696**	612
Remuneration to other key management personnel	**3,378**	3,189
Director fees	**401**	137
	4,475	3,938

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

29. COMMITMENTS

Capital commitments

Estimated amounts committed at the end of the financial year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Capital commitments in respect of plant and equipment	**–**	550

Operating lease commitments – as lessee

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2017 amounted to $3,688,000 (2016: $2,094,000).

29. COMMITMENTS (CONTINUED)

Operating lease commitments – as lessee (Continued)

At the end of the financial year, the total future minimum lease receivables committed under operating leases are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year	**2,481**	1,608
Later than one year and not later than five years	**4,769**	5,860
More than five years	**1,983**	509
	9,233	7,977

Operating lease payments are for rentals payable for office and computer equipment, office premises, data centre racks. The lease rental terms are negotiated for an average term of one to six years (2016: one to four years).

Operating lease commitments – as lessor

At the end of the financial year, the total future minimum lease receivables committed under operating leases are as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Not later than one year	**914**	1,716
Later than one year and not later than five years	**1,451**	1,430
	2,365	3,146

Operating lease income commitments are for the managed services receivable and rentals receivable for certain plant and equipment. The lease rental terms are negotiated for an average term of one month to five years (2016: one month to five years).

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The management reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and short-term deposits), the Group minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of management.

Credit risk concentration profile

At the end of the reporting period, approximately 16% (2016: 16%) of the Group's trade receivables were due from 3 major customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 17.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and Company's financial assets and liabilities at the end of the reporting year based on contractual undiscounted repayment obligations.

Group	2017 $'000 Less than 1 year	2017 $'000 1 to 5 years	2017 $'000 Total	2016 $'000 Less than 1 year	2016 $'000 1 to 5 years	2016 $'000 Total
Financial assets:						
Trade and other receivables	**48,347**	**–**	**48,347**	39,410	–	39,410
Finance lease receivables	**1,550**	**2,070**	**3,620**	1,466	1,781	3,247
Cash and bank balances	**18,459**	**–**	**18,459**	30,006	–	30,006
Total undiscounted financial assets	**68,356**	**2,070**	**70,426**	70,882	1,781	72,663
Financial liabilities:						
Trade and other payables	**29,154**	**–**	**29,154**	24,670	–	24,670
Loans and borrowings	**13,735**	**8,532**	**22,267**	13,955	5,085	19,040
Total undiscounted financial liabilities	**42,889**	**8,532**	**51,421**	38,625	5,085	43,710
Total net undiscounted financial assets/(liabilities)	**25,467**	**(6,462)**	**19,005**	32,257	(3,304)	28,953

Company	2017 $'000 Less than 1 year	2017 $'000 1 to 5 years	2017 $'000 Total	2016 $'000 Less than 1 year	2016 $'000 1 to 5 years	2016 $'000 Total
Financial assets:						
Trade and other receivables	**13,073**	**–**	**13,073**	11,214	–	11,214
Cash and bank balances	**5,911**	**–**	**5,911**	18,170	–	18,170
Total undiscounted financial assets	**18,984**	**–**	**18,984**	29,384	–	29,384
Financial liabilities:						
Trade and other payables	**2,900**	**–**	**2,900**	6,007	–	6,007
Loans and borrowings	**5,243**	**8,042**	**13,285**	3,228	3,743	6,971
Total undiscounted financial liabilities	**8,143**	**8,042**	**16,185**	9,235	3,743	12,978
Total net undiscounted financial assets/(liabilities)	**10,841**	**(8,042)**	**2,799**	20,149	(3,743)	16,406

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group does not hedge its investment in fixed rate debt securities.

The interest rate risk exposure is from changes in fixed rate and floating interest rates and it mainly concerns financial liabilities which are both fixed rate and floating rate. The following table analyses the breakdown of the financial liabilities by type of interest rate:

Group	Less than 1 year $'000	1 to 5 years $'000	Total $'000
2017			
Fixed rate			
Bank term loans	**9**	**–**	**9**
Finance lease obligations	**851**	**444**	**1,295**
Trust receipts	**1,201**	**–**	**1,201**
Floating rate			
Bank term loans	**4,898**	**7,718**	**12,616**
Trust receipts	**2,563**	**–**	**2,563**
Trade receivables factoring	**3,480**	**–**	**3,480**
Others	**250**	**–**	**250**
2016			
Fixed rate			
Finance lease obligations	868	1,294	2,162
Trust receipts	3,708	–	3,708
Trade receivables factoring	2,726	–	2,726
Others	315	–	315
Floating rate			
Bank term loans	5,009	3,186	8,195
Bank overdrafts	548	–	548
Trust receipts	382	–	382
Others	51	–	51

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Interest rate risk (Continued)

Company	Less than 1 year $'000	1 to 5 years $'000	Total $'000
2017			
Floating rate			
Bank term loan	**4,898**	**7,718**	**12,616**
2016			
Floating rate			
Bank term loan	2,960	3,186	6,146

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2016: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $189,000 (2016: $92,000) higher/lower, arising mainly as a result lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a higher significantly volatility as in prior years.

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD) and Euro (EUR). The Group's trade receivable and trade payable balances at the end of the reporting period have similar exposures. The Group and the Company also hold cash and short-term deposits and loans and borrowings denominated in foreign currencies for working capital purposes and financing activities. At the end of the reporting period, such foreign currency balances are mainly in USD and EUR.

Sensitivity analysis:

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

			Group	
			2017 $'000	2016 $'000
USD/SGD	–	if strengthen by 10% (2016: 10%)	**318**	(638)
	–	if weaken by 10% (2016: 10%)	**(318)**	638
GBP/USD	–	if strengthen by 10% (2016: 10%)	**(108)**	(291)
	–	if weaken by 10% (2016: 10%)	**108**	291
GBP/EUR	–	if strengthen by 10% (2016: 10%)	**(138)**	(233)
	–	if weaken by 10% (2016: 10%)	**138**	233
SGD/USD	–	if strengthen by 10% (2016: 10%)	**186**	(233)
	–	if weaken by 10% (2016: 10%)	**(186)**	233

31. SEGMENT INFORMATION

For management purposes, the Group is organised into two reportable segments as follows:

i. The Information Technology ("IT") Distribution 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; and (ii) Supply Chain Management, where income is derived from assisting OEMs in the distribution of their goods as part of their supply chain activities.

ii. Lifecycle Services business includes revenue derived from (i) the rendering of IT maintenance services for a variety of IT systems and networks; (ii) the provision of IT hardware as a service on a transaction-based pricing model; and (iii) the provision of service to extend the life of equipment and to extract greater value for retired technology, by means of equipment refurbishment and data destruction services, and asset disposal services to help our customers yield greater corporate and environment sustainability.

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 and are not monitored by segments.

	IT Distribution		Lifecycle Services		Per consolidated financial statements	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	**140,328**	106,320	**41,494**	29,430	**181,822**	135,750
Cost of sales	**(101,722)**	(74,866)	**(21,132)**	(14,847)	**(122,854)**	(89,713)
Gross profit	**38,606**	31,454	**20,362**	14,583	**58,968**	46,037

Geographical information

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

	Revenue	
	2017	2016
	$'000	$'000
Singapore	**27,852**	32,893
Europe, the Middle East and Africa	**66,327**	37,437
Americas	**81,948**	60,418
Others	**5,695**	5,002
	181,822	135,750

31. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

	Non-current assets	
	2017	**2016**
	$'000	**$'000**
Singapore	**26,685**	11,306
Europe, the Middle East and Africa	**10,540**	10,209
Americas	**1,248**	503
Others	**2,729**	3,608
	41,202	25,626

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

Information about a major customer

Revenue from one major customer amounted to $5,162,000 (2016: $7,181,000) arising from sales by the Lifecycle Service business (2016: IT Distribution business).

32. DIVIDENDS

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2016: 0.475 cents (2015: Nil) per share	**1,330**	–
	1,330	–
Proposed but not recognised as liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2016: 0.475 cents (2015: Nil) per share	**–**	1,330
	–	1,330

33. CAPITAL MANAGEMENT

The objectives when managing capital are to safeguard the reporting entity's ability to continue as a going concern so that it can continue to provide returns for owners and benefits for other stakeholders; and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Capital comprises all components of equity.

The management monitors the capital on the basis of the debt-to-capital ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total borrowings less cash and bank balances.

	Group	
	2017	**2016**
	$'000	**$'000**
Loans and borrowings (Note22)	**21,414**	18,087
Less: cash and bank balances (Note20)	**(18,459)**	(30,006)
Net (cash)/debt	**2,955**	(11,919)
Total equity	**63,842**	67,082
Debt-to-capital ratio	**4.6%**	N.M.

N.M. – Not meaningful

34. LITIGATION CASE

The Group's subsidiary, Procurri LLC is potentially exposed to a litigation case of one of its customers. The claims in the lawsuit arose out of the alleged sale of hardware which contained allegedly unlicensed software by Procurri's customer to the plaintiff. Procurri LLC supplied the hardware and has not been named directly as a party to the lawsuit, although it has been made aware of the case. As at the date of the financial statement, the Group is unable to establish the amount or range of potential loss, if any, arising from the above.

35. EVENTS AFTER THE END OF THE REPORTING YEAR

On 1 January 2018, the Group announced an internal reorganisation exercise to streamline the corporate group structure for its subsidiaries domiciled in the United Kingdom (the "Reorganisation Exercise"). As part of the Reorganisation Exercise, the existing assets, liabilities and undertakings of Procurri UK Limited ("PUK") and EAF Supply Chain Limited ("EAFSC") have been hived-up to Procurri Europe Limited ("PEUR") with the intention that PEUR will act as the new trading company for the Group in the United Kingdom effective as of 1 January 2018. PUK, EAF Supply Chain Holdings Limited ("EAFSCH") and EAFSC will be liquidated.

36. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 23 March 2018.

STATISTICS OF **SHAREHOLDINGS**

AS AT 16 MARCH 2018

SHARE CAPITAL INFORMATION

Number of shares	:	282,569,100
Class of shares	:	Ordinary shares
Voting rights	:	On a poll (One vote for each ordinary share)
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of shareholders	%	Number of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	116	13.27	112,200	0.04
1,001 – 10,000	315	36.04	2,045,000	0.72
10,001 – 1,000,000	423	48.40	26,214,900	9.28
1,000,001 AND ABOVE	20	2.29	254,197,000	89.96
Total	**874**	**100.00**	**282,569,100**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of shares held	%
1	DECLOUT LIMITED	132,319,978	46.83
2	IRRUCORP PTE. LTD.	33,995,000	12.03
3	CITIBANK NOMINEES SINGAPORE PTE LTD	16,524,200	5.85
4	RAFFLES NOMINEES (PTE) LTD	12,558,622	4.44
5	OCBC SECURITIES PRIVATE LTD	8,993,300	3.18
6	DBS NOMINEES PTE LTD	7,195,700	2.55
7	TAN WEI MENG	6,924,050	2.45
8	OAN CHIM SENG	5,693,900	2.02
9	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	5,244,000	1.85
10	PHANG CHEE CAN	3,380,400	1.20
11	HONG LEONG FINANCE NOMINEES PTE LTD	3,089,200	1.09
12	SING INVESTMENTS & FINANCE NOMINEES PTE LTD	2,842,400	1.01
13	HSBC (SINGAPORE) NOMINEES PTE LTD	2,718,000	0.96
14	MAYBANK KIM ENG SECURITIES PTE LTD	2,522,800	0.89
15	OLIJA HOLDINGS PTE LTD	2,500,000	0.88
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,757,100	0.62
17	TAN JOON NGEE	1,712,950	0.61
18	LEE SZE HAO	1,500,000	0.53
19	BPSS NOMINEES SINGAPORE (PTE.) LTD.	1,385,000	0.49
20	KGI SECURITIES (SINGAPORE) PTE LTD	1,360,400	0.48
	Total	**254,197,000**	**89.96**

STATISTICS OF **SHAREHOLDINGS**

AS AT 16 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct interest		Deemed interest	
Name of substantial shareholders	**Number of shares**	**%**	**Number of shares**	**%**
DECLOUT LIMITED	132,319,978	46.83	–	–
IRRUCORP PTE. LTD.[(1)(2)]	33,995,000	12.03	–	–
THOMAS SEAN MURPHY[(1)]	1,653,400	0.59	33,995,000	12.03
EDWARD JOHN FLACBARTH[(2)]	724,000	0.26	33,995,000	12.03

Notes:

(1) Mr Thomas Sean Murphy is deemed to have an interest in the Shares held by Irrucorp Pte. Ltd. by virtue of Section 7 of the Companies Act.

(2) Mr Edward John Facbarth is deemed to have an interest in the Shares held by Irrucorp Pte. Ltd. by virtue of Section 7 of the Companies Act.

PUBLIC FLOAT

Based on the information available to the Company as at 16 March 2018, approximately 34.5% of the issued ordinary shares of the Company is held by the public as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Rules"). Accordingly the Company has complied with Rule 723 of the Listing Rules.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the annual general meeting ("**AGM**") of Procurri Corporation Limited (the "**Company**") will be held at M Hotel, Anson III and IV, Level 2, 81 Anson Road, Singapore 079908 on Monday, 30 April 2018 at 10.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Statement and the Auditors' Report thereon.
   (Resolution 1)

2. To note the retirement of Mr Lim Swee Yong who is retiring under Regulation 117 of the Company's Constitution as he will not be seeking re-election at this AGM.

   [See Explanatory Note (a)]

3. To re-elect Mr Thomas Sean Murphy who is retiring under Regulation 117 of the Company's Constitution.

   [See Explanatory Note (b)] **(Resolution 2)**

4. To approve the payment of Directors' fees of up to S$224,000 for the financial year ending 31 December 2018 (2017: S$400,651).

   [See Explanatory Note (c)] **(Resolution 3)**

5. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration.
   (Resolution 4)

6. To transact any other ordinary business which may be properly transacted at an AGM.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:

7. Authority to allot and issue shares

   "That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**"), approval be and is hereby given to the directors of the Company (the "**Directors**") to:

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of bonus, rights or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding that the authority conferred by this resolution may have ceased to be in force) issue Shares pursuant to any Instruments made or granted by the Directors while this resolution was in force, provided that:

(i) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued pursuant to the Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which the aggregate number of Shares and convertible securities in the Company to be issued other than on a *pro rata* basis to the existing shareholders of the Company ("**Shareholders**") shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), and for the purpose of determining the aggregate number of Shares and Instruments that may be issued under this resolution, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this resolution is passed, after adjusting for:

(1) new Shares arising from the conversion or exercise of convertible securities;

(2) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of passing this resolution, provided the share options or share awards were granted in compliance with the Listing Manual; and

(3) any subsequent bonus issue, consolidation or subdivision of Shares;

(ii) in exercising the authority conferred in this resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST and the Company's Constitution; and

(iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (d)] **(Resolution 5)**

8. Authority to grant share options, allot and issue Shares under the Procurri Employee Share Option Scheme

"That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to grant share options in accordance with the provisions of the Procurri Employee Share Option Scheme (the "**ESOS**") and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of the share options under the ESOS (including but not limited to allotment and issuance of Shares at any time, whether during the continuance of such authority or thereafter, pursuant to options made or granted by the Company whether granted during the subsistence of this authority or otherwise) provided always that the aggregate number of Shares to be issued pursuant to the ESOS when aggregated together with Shares issued and/or issuable in respect of all share options granted under the ESOS, all other existing share schemes or share plans of the Company for the time being shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier."

[See Explanatory Note (e)] **(Resolution 6)**

NOTICE OF **ANNUAL GENERAL MEETING**

9. Authority to grant share awards, allot and issue Shares under the Procurri Performance Share Plan

"That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to grant share awards in accordance with the provisions of the Procurri Performance Share Plan (the "**PSP**") and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the share awards granted under the PSP (including but not limited to allotment and issuance of Shares at any time, whether during the continuance of such authority or thereafter, pursuant to awards made or granted by the Company whether granted during the subsistence of this authority or otherwise) provided always that the aggregate number of Shares to be issued pursuant to the PSP when aggregated together with Shares issued and/or issuable in respect of all share awards granted under the PSP, all other existing share schemes or share plans of the Company for the time being shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier."

[See Explanatory Note (f)] **(Resolution 7)**

10. Proposed renewal of shareholders' mandate for interested person transactions

"That for the purposes of Chapter 9 of the Listing Manual:

(a) approval be given for the renewal of the mandate for the Company and its subsidiaries that are considered to be "entities at risk" under Chapter 9 of the Listing Manual, or any of them, to enter into any of the transactions falling within the categories of interested person transactions set out in the appendix to the notice of AGM dated 13 April 2018 (the "**Appendix**") with any party who is of the class or classes of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms which are not prejudicial to the interests of the Company and its minority shareholders and are carried out in accordance with the review procedures of the Company for determining transaction prices for such interested person transactions set out in the Appendix (the "**Shareholders' Mandate**");

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier;

(c) the Audit Committee of the Company and/or any member of the Audit Committee of the Company be and is hereby authorised to take such action as it and/or he deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and

(d) authority be given to the Directors and/or any of them to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider necessary, desirable, expedient or in the interest of the Company to give effect to the Shareholders' Mandate and/or this resolution as they and/or he may think fit.

[See Explanatory Note (g)] **(Resolution 8)**

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

13 April 2018

Singapore

NOTICE OF **ANNUAL GENERAL MEETING**

EXPLANATORY NOTES:

(a) Mr Lim Swee Yong will cease as a member of the Audit, Nominating and Remuneration Committees of the Company upon his retirement as Non-Executive Director of the Company.

(b) The key information of Mr Thomas Sean Murphy can be found in the "Board of Directors" section of the annual report. Mr Thomas Sean Murphy, if re-appointed as Director of the Company (pursuant to ordinary resolution 2), will remain as Executive Chairman and Global Chief Executive Officer of the Company.

Save for his direct and indirect shareholding interests in the Company (if any), there is no relationships including immediate family relationships between Mr Thomas Sean Murphy and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

(c) The ordinary resolution 3 is to request Shareholders' approval for payment of Directors' fees (in cash) on a current year basis, to be paid quarterly in arrears, calculated taking into account the number of scheduled Board and Board Committee meetings for the financial year ending 31 December 2018 and assuming that all non-executive Directors will hold office for the full year. No share based Directors' fees are being proposed for the financial year ending 31 December 2018. In the event the Directors' fees proposed for the financial year ending 31 December 2018 are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall.

(d) The ordinary resolution 5 above, if passed, will empower the Directors from the date of the AGM until the date of the next AGM, or the date by which the AGM is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company, of which the total number of Shares and convertible securities issued other than on a pro-rata basis to existing Shareholders shall not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.

(e) The ordinary resolution 6 above, if passed, will empower the Directors to grant share options under the ESOS and to allot and issue Shares upon the exercise of such share options in accordance with the ESOS.

(f) The ordinary resolution 7 above, if passed, will empower the Directors to grant share awards under the PSP and to allot and issue Shares in accordance with the PSP.

(g) The ordinary resolution 8 above, if passed, will renew the Shareholders' Mandate to enable the Company and its subsidiaries that are considered to be "entities at risk" under Chapter 9 of the Listing Manual, or any of them, to enter into certain interested person transactions with a specified class of interested persons, as described in the Appendix. Please refer to the Appendix for more details.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than 2 proxies to attend, speak and vote at the AGM. A proxy needs not be a member of the Company. Where a member appoints more than 1 proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form (expressed as a percentage of the whole).

2. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than 2 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with the Company's Constitution and Section 179 of the Companies Act.

5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the office of the Company's Share Registrar at 80 Robinson Road, #11-02, Singapore 068898 not later than 72 hours before the time set for the AGM.

6. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

7. A member should insert the total number of Shares held. If the member has Shares entered against his name in the Depository Register as defined under the Securities and Futures Act, Chapter 289 of Singapore, he should insert that number of Shares. If the member has Shares registered in his name in the Register of Members of the Company, he should insert the number of Shares. If the member has Shares entered against his name in the Depository Register and Shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by the member of the Company.

NOTICE OF **ANNUAL GENERAL MEETING**

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Shareholder (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

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PROCURRI CORPORATION LIMITED
(Company Registration No. 201306969W)
(Incorporated in the Republic of Singapore)

IMPORTANT:
Pursuant to Section 181(1C) of the Companies Act, Relevant Intermediaries may appoint more than 2 proxies to attend, speak and vote at the annual general meeting.

Personal Data Privacy
Submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 13 April 2018.

*I/We ______________________________ (Name) ______________________ (NRIC/Passport No.)

of ____ (Address)

being *a member/members of PROCURRI CORPORATION LIMITED (the "**Company**"), hereby appoint:

NAME	ADDRESS	NRIC/PASSPORT NO.	PROPORTION OF SHAREHOLDINGS TO BE REPRESENTED BY PROXY (%)

or failing which, the chairman of the annual general meeting of the Company (the "**AGM**"), as *my/our proxy(ies) to attend and vote on *my/our behalf at the AGM to be held at M Hotel, Anson III & IV, Level 2, 81 Anson Road, Singapore 079908 on Monday, 30 April 2018 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy(ies) to vote for or against the ordinary resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy(ies) will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the AGM.

NO.	RESOLUTIONS RELATING TO:	FOR**	AGAINST**
	Ordinary Business		
1.	Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Statement and the Auditors' Report thereon		
2.	Re-election of Mr Thomas Sean Murphy as a Director of the Company		
3.	Payment of Directors' fees of up to S$224,000 for the financial year ending 31 December 2018		
4.	Re-appointment of Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
5.	Authority to allot and issue shares		
6.	Authority to grant share options, allot and issue shares under the ESOS		
7.	Authority to grant share awards, allot and issue shares under the PSP		
8.	Renewal of shareholders' mandate for interested person transactions		

Notes:
* Please delete accordingly
** Please indicate your vote "For" or "Against" with an "X" or the number of shares within the box provided

Dated this ________ day of ________________ 2018

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: Please read notes overleaf

Notes:

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4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with the Company's Constitution and Section 179 of the Companies Act.

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CORPORATE **INFORMATION**

COMPANY INFORMATION
Procurri Corporation Limited
Incorporated in the Republic of Singapore on 15 March 2013
Company Registration No.: 201306969W

REGISTERED OFFICE
29 Tai Seng Avenue
#02-01 Natural Cool Lifestyle Hub
Singapore 534119

BOARD OF DIRECTORS
Thomas Sean Murphy
Chairman and
Global Chief Executive Officer

Edward John Flachbarth
Executive Director and Global President

Lim Swee Yong
Non-Executive Director

Ho Chew Thim
Lead Independent Director

Ng Loh Ken Peter
Independent Director

Wong Quee Quee, Jeffrey
Independent Director

AUDIT COMMITTEE
Ng Loh Ken Peter (Chairman)
Ho Chew Thim
Wong Quee Quee, Jeffrey
Lim Swee Yong

REMUNERATION COMMITTEE
Ho Chew Thim (Chairman)
Ng Loh Ken Peter
Wong Quee Quee, Jeffrey
Lim Swee Yong

NOMINATING COMMITTEE
Wong Quee Quee, Jeffrey (Chairman)
Ho Chew Thim
Ng Loh Ken Peter
Lim Swee Yong

COMPANY SECRETARY
Lin Moi Heyang

SHARE REGISTRAR
Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00
Singapore 068898

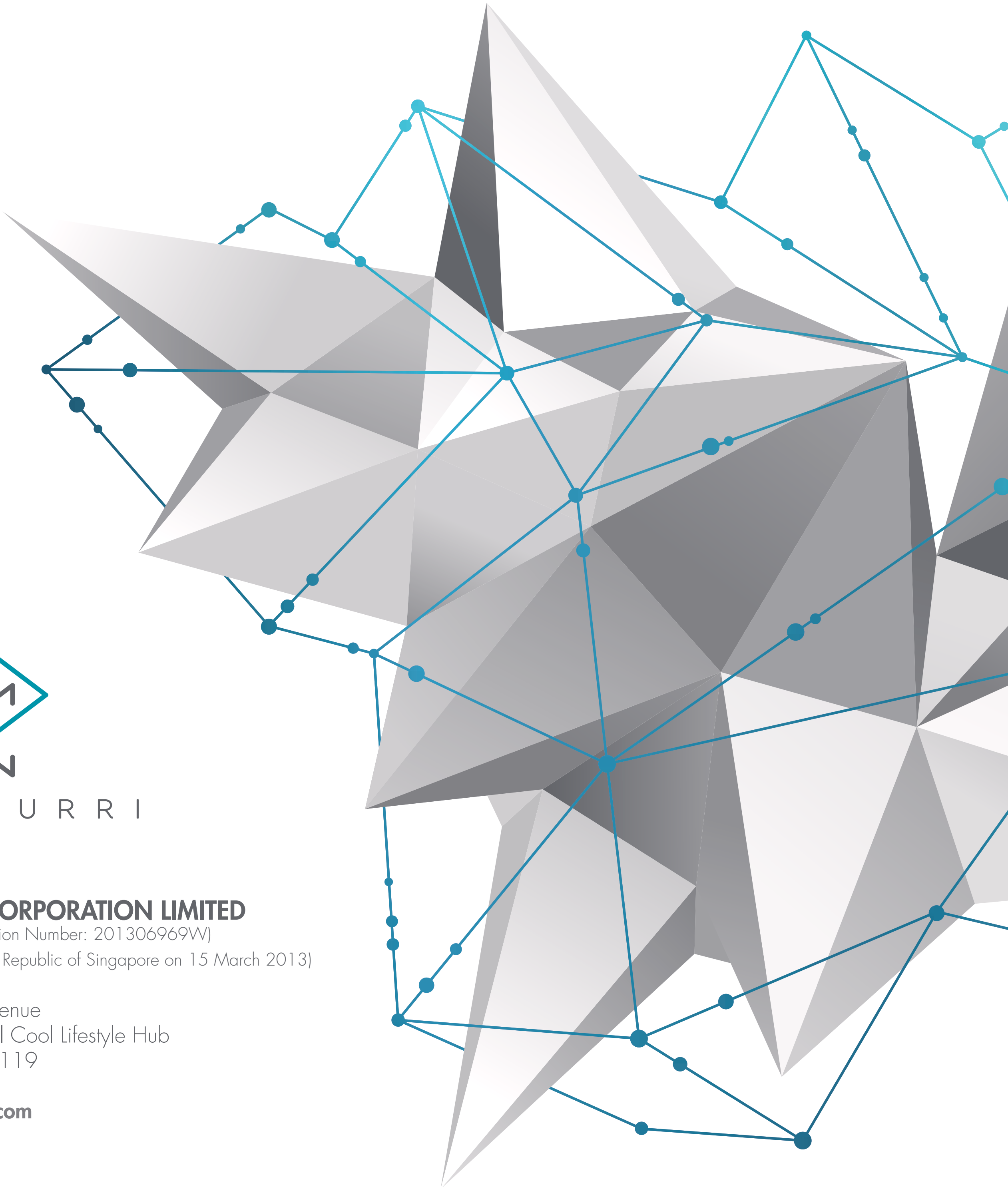
INDEPENDENT AUDITORS
Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Yeow Hui Cheng
(with effect from financial year ended 31 December 2016)

PRINCIPAL BANKERS
DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
HSBC Building
Singapore 049320

STOCK INFORMATION
Listed on the SGX-ST Mainboard on 20 July 2016
Stock Codes
Bloomberg: PROC SP EQUITY
Reuters: PROC.SI
SGX: BVQ

INVESTOR RELATIONS
For enquiries, please contact Procurri's Investor Relations at +65 6486 1300 or ir@procurri.com



PROCURRI

PROCURRI CORPORATION LIMITED
(Company Registration Number: 201306969W)
(Incorporated in the Republic of Singapore on 15 March 2013)

29 Tai Seng Avenue
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Singapore 534119

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