

**CIRCULAR DATED 13 FEBRUARY 2019**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**This Circular is issued by Procurri Corporation Limited (the “Company”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.**

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular with the Notice of EGM (as defined herein) and the attached Proxy Form (as defined herein) to the purchaser or transferee as arrangements will be made by CDP for a separate Circular with the Notice of EGM and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should at once hand this Circular with the Notice of EGM and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) assumes no responsibility for the contents of this Circular, including the accuracy of any of the statements or opinions made or reports contained in this Circular.



P R O C U R R I

**PROCURRI CORPORATION LIMITED**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201306969W)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PROPOSED ACQUISITION OF 49% OF THE ISSUED AND OUTSTANDING EQUITY INTERESTS OF ROCKLAND CONGRUITY LLC AS A MAJOR TRANSACTION**

**IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form : 25 February 2019 at 9:30 a.m.  
Date and time of Extraordinary General Meeting : 28 February 2019 at 9:30 a.m.  
Place of Extraordinary General Meeting : Suntec Singapore International Convention & Exhibition Centre, Room 324, 1 Raffles Boulevard, Singapore 039593



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## DEFINITIONS

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In this Circular, the following definitions shall apply throughout unless otherwise stated:

<b>“4Q2018”</b>	:	The fourth quarter financial period ended 31 December 2018
<b>“9M2018”</b>	:	The nine-month financial period ended 30 September 2018
<b>“Aged Inventory”</b>	:	Any items of inventory that were purchased by the Target Company prior to 1 August 2017, the quantum of which was agreed between the parties to the IPA
<b>“AIP Announcement”</b>	:	The announcement in relation to the approval-in-principle from SGX-ST, as more particularly described in Paragraph 1.3
<b>“APA”</b>	:	The asset purchase agreement dated 16 November 2018 entered into between the Seller Principals and the Target Company
<b>“Assets”</b>	:	Assets owned by the Seller, including assets that are currently licensed to and used by the Target Company in connection with its Business and which are listed under the terms of the APA
<b>“Board” or “Board of Directors”</b>	:	The board of directors of the Company as at the date of this Circular
<b>“Business”</b>	:	The provision of a platform for the sale of refurbished technology hardware and the provision of third party IT maintenance and support services to customers
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	This circular to Shareholders dated 13 February 2019
<b>“Closing”</b>	:	Closing of the sale and purchase of the Target Shares under the IPA
<b>“Closing Date”</b>	:	Date of the Closing
<b>“Closing Date Payment”</b>	:	The Purchase Price to be paid on the Closing Date, as more particularly described in Paragraph 4.1.3(a)
<b>“Company”</b>	:	Procurri Corporation Limited
<b>“Companies Act”</b>	:	Companies Act (Chapter 50) of Singapore
<b>“Closing Conditions Precedent”</b>	:	The conditions that Procurri US and the Seller are subject to in order to consummate the Closing, as more particularly described in Paragraphs 4.4.1 to 4.4.3

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## DEFINITIONS

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<b>“Congruity Change of Control”</b>	:	A transaction resulting in the sale or transfer of more than 50% of the equity interest of the Congruity 360, LLC, as more particularly described in Paragraph 4.1.2
<b>“Congruity Receivables”</b>	:	The accounts receivable owing by Congruity 360, LLC to the Target Company, as more particularly described in Paragraph 4.1.2
<b>“Consideration Shares”</b>	:	The transfer or issuance to the Sellers of the shares of the Company pursuant to the exercise of the Stock Payment Option (subject to the Stock Payment Cap), as more particularly described in Paragraph 4.1.3 and Paragraph 4.1.4
<b>“Content”</b>	:	The content in the <a href="http://www.congruity.com">www.congruity.com</a> domain
<b>“controlling shareholder”</b>	:	A person who:  (a) holds directly or indirectly 15.0% or more of the total number of issued Shares excluding treasury shares and subsidiary holdings in the Company (provided that the SGX-ST may determine that a person who satisfies this definition is not a controlling shareholder); or  (b) in fact exercises control over the Company
<b>“Covenants Agreement”</b>	:	The restrictive covenants agreement to be signed by the Seller and the Seller Principals in favour of Procurri US and the Target Company, more particularly described in Paragraph 4.3
<b>“Directors”</b>	:	Directors of the Company as at the date of this Circular
<b>“Distribution Waiver”</b>	:	The assignment of the Seller’s right to distributions to Procurri US in respect of the Target Shares under the Operating Agreement, more particularly described in Paragraph 5.1.2
<b>“Effective Date”</b>	:	The date of the Covenants Agreement, as more particularly described in Paragraph 4.3(a)
<b>“EGM”</b>	:	Extraordinary General Meeting
<b>“Eligible Receivables”</b>	:	The accounts receivable up to an amount of US\$1,000,000 due to the Target Company from the Seller or its affiliates, as more particularly described in it in Paragraph 4.1.2
<b>“EPS”</b>	:	Earnings per Share
<b>“FY2017”</b>	:	The completed financial year commencing 1 January 2017 and ended 31 December 2017

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## DEFINITIONS

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<b>“FY2019”</b>	:	The financial year commencing 1 January 2019 and ending 31 December 2019
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Group 9M2018 Results”</b>	:	The unaudited consolidated financial statements of the Group for the nine-month financial period ending 30 September 2018
<b>“Group FY2017 Results”</b>	:	The audited consolidated financial statements of the Group for FY2017
<b>“IPA”</b>	:	The interest purchase agreement dated 16 November 2018, entered into between Procurri US and, amongst others, the Seller in relation to the Proposed Transactions
<b>“IPO Proceeds”</b>	:	The net proceeds remaining after the initial public offering of the Shares in July 2016, as more particularly described in Paragraph 5.2 and Paragraph 6
<b>“JV Announcement”</b>	:	The announcement of the Company dated 23 January 2017 in relation to the entry into the Operating Agreement
<b>“JV Partners”</b>	:	The joint venture parties, Procurri US and the Seller, pursuant to the Operating Agreement
<b>“Latest Practicable Date”</b>	:	31 January 2019, being the latest practicable date prior to the printing of this Circular
<b>“Letter to Shareholders”</b>	:	The letter to shareholders as set out on pages 8 to 27 of this Circular
<b>“Licence Amendment Agreement”</b>	:	The supplemental agreement to be executed on the Closing Date to amend the licence agreement dated 20 January 2017, as more particularly described in Paragraph 4.2
<b>“Listing Manual”</b>	:	The listing manual of SGX-ST, including any amendments made thereto up to the Latest Practicable Date
<b>“Notice of EGM”</b>	:	The notice of the EGM as set out on pages EGM-1 to EGM-3 of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“Offer Document”</b>	:	The offer document dated 12 July 2016 for the initial public offering of the Shares
<b>“Operating Agreement”</b>	:	The operating agreement executed between Procurri US and the Seller for the incorporation of Target Company, as more particularly described in Paragraph 2.1

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## DEFINITIONS

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<b>“Post-Closing Date”</b>	:	31 January 2020
<b>“Post-Closing Date Payment”</b>	:	The Purchase Price to be paid on the Post-Closing Date, as more particularly described in Paragraph 4.1.3(b)
<b>“Procurri US”</b>	:	Procurri LLC, the wholly-owned subsidiary of the Company
<b>“Proposed Acquisition”</b>	:	The proposed acquisition of the Target Shares of the Target Company held by the Seller for the Purchase Price
<b>“Proposed Issuance”</b>	:	The allotment and issuance of the Consideration Shares to the Seller, at Procurri US’s sole discretion
<b>“Proposed Transactions”</b>	:	The Proposed Acquisition and the Proposed Issuance
<b>“Proposed Transactions Announcement”</b>	:	The announcement of the Company dated 18 November 2018 in relation to the Proposed Transactions
<b>“Purchase Price”</b>	:	The aggregate unadjusted consideration of US\$22,000,000
<b>“Proxy Form”</b>	:	The proxy forms enclosed with this Circular
<b>“Reallocation”</b>	:	The reallocation of the unutilised IPO Proceeds to fund mergers and acquisitions, joint ventures and partnerships strategy, as more particularly described in Paragraph 6
<b>“Restricted Business”</b>	:	The business within the geographic region throughout which the Target Company conducted its business as of the relevant date provided for in the Covenants Agreement, as described at Paragraph 4.3(b)
<b>“Restricted Person”</b>	:	Any person employed or engaged by the Target Company or Procurri US, as described in Paragraph 4.3(b)
<b>“Securities Accounts”</b>	:	Securities accounts maintained by a Depositor with CDP, but not including securities sub-accounts maintained with a Depository Agent
<b>“Seller”</b>	:	Congruity LLC
<b>“Seller Principals”</b>	:	Mr. Sean Brady and Mr. Brian Davidson
<b>“Set-Off Amount”</b>	:	The amount by which the Aged Inventory that remains on hand in inventory as of 31 December 2018 exceeds US\$250,000, as described at Paragraph 4.1.2
<b>“SFA”</b>	:	Securities and Futures Act (Chapter 289) of Singapore
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited

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## DEFINITIONS

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<b>“SGXNET”</b>	:	Singapore Exchange Network, a system network used by listed companies in sending information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
<b>“Shares”</b>	:	Ordinary shares in the issued and paid-up capital of the Company
<b>“Shareholders”</b>	:	The registered holders of the Shares, except that where the registered holder is CDP, the term <b>“Shareholders”</b> shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
<b>“Share Valuation Method”</b>	:	The method to value the Consideration Shares, as more particularly described in Paragraph 4.1.4, should Procurri US exercise its discretion to make a Stock Payment
<b>“Stock Payment”</b>	:	The satisfaction of a portion of the payment obligations through the transfer or issuance of Consideration Shares to the Seller, as more particularly described in Paragraph 4.1.3
<b>“Stock Payment Option”</b>	:	Procurri US’s option to make a Stock Payment, as more particularly described in Paragraph 4.1.3
<b>“Stock Payment Cap”</b>	:	The capped sum of all Stock Payments to be made under the Stock Payment Option, as more particularly described in Paragraph 4.1.3
<b>“Substantial Shareholder”</b>	:	A person who has an interest in Shares the nominal amount of which is 5.0% or more of the aggregate voting Shares of the Company
<b>“subsidiary”</b>	:	Has the meaning ascribed to it in the Companies Act
<b>“Target Company”</b>	:	Rockland Congruity LLC
<b>“Target Company 9M2018 Results”</b>	:	The unaudited financial statements of the Target Company for 9M2018
<b>“Target Shares”</b>	:	49% of the issued and outstanding equity interests of the Target Company
<b>“weighted average price”</b>	:	Has the meaning ascribed to it in the Listing Manual, as amended, modified or supplemented from time to time
<b>“%” or “per cent.”</b>	:	Percentage or per centum



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## DEFINITIONS

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“**S\$**” or “**SGD**” : Singapore dollars, the lawful currency of the Republic of Singapore

“**US\$**” or “**USD**” : United States dollars, the lawful currency of the United States of America

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Words importing persons include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Listing Manual, Companies Act, SFA or any statutory or regulatory modification thereof and not otherwise defined in this Circular shall have the meaning ascribed to it under the Listing Manual, Companies Act, SFA or any statutory or regulatory modification thereof, unless otherwise provided.

Any reference to “**Paragraph**” shall be a reference to the paragraphs of this Letter to Shareholders.

Any reference to a time and date in this Circular shall be a reference to Singapore time and date unless otherwise stated.

All discrepancies in the tables included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### Cautionary Note on Forward-Looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “**expect**”, “**anticipate**”, “**believe**”, “**estimate**”, “**intend**”, “**project**”, “**plan**”, “**strategy**”, “**forecast**” and similar expressions or future or conditional verbs such as “**if**”, “**will**”, “**would**”, “**should**”, “**could**”, “**may**” and “**might**”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

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## LETTER TO SHAREHOLDERS

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### PROCURRI CORPORATION LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201306969W)

**Directors:**

Thomas Sean Murphy  
(Chairman and Global Chief Executive Officer)  
Edward John Flachbarth (Executive Director and Global President)  
Ho Chew Thim (Lead Independent Director)  
Ng Loh Ken Peter (Independent Director)  
Wong Quee Quee, Jeffrey (Independent Director)

**Registered Office:**

29 Tai Seng Avenue  
#02-01  
Natural Cool Lifestyle Hub  
Singapore 534119

Date: 13 February 2019

To: The Shareholders of the Company

Dear Sir/Madam

### PROPOSED ACQUISITION OF 49% OF THE ISSUED AND OUTSTANDING EQUITY INTERESTS OF ROCKLAND CONGRUITY LLC AS A MAJOR TRANSACTION

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#### 1. INTRODUCTION

- 1.1 On 18 November 2018, the Company announced (the “**Proposed Transactions Announcement**”) that its wholly-owned subsidiary, Procurri LLC (“**Procurri US**”), had entered into an interest purchase agreement (the “**IPA**”) with, *inter alia*, Congruity LLC (the “**Seller**”) to acquire 49% of the issued and outstanding equity interests (the “**Target Shares**”) of Rockland Congruity LLC (the “**Target Company**”) held by the Seller, for an aggregate unadjusted consideration (the “**Purchase Price**”) of US\$22,000,000 (the “**Proposed Acquisition**”).
- 1.2 As the relative figures in respect of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual exceed 20%, the Proposed Acquisition is classified as a “major transaction” within the meaning of Rule 1014 of the Listing Manual, and is subject to the approval of the Shareholders. Further details on the relative figures under Rule 1006 of the Listing Manual can be found in Paragraph 7 of this Letter to Shareholders.

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## LETTER TO SHAREHOLDERS

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- 1.3 A portion of the Consideration may be paid with Consideration Shares allotted and issued to the Seller, at Procurri US's sole discretion (the "**Proposed Issuance**" and, together with the Proposed Acquisition, the "**Proposed Transactions**"). The Company had also announced on 31 January 2019 that it had received the approval in-principle from the SGX-ST for the Proposed Issuance and the listing and quotation of Consideration Shares on the Main Board of the SGX-ST (the "**AIP Announcement**"), subject to the following conditions:
- (a) compliance with SGX-ST's listing requirements and guidelines; and
  - (b) Shareholders' approval for the Proposed Acquisition.

Further information on the conditions above is detailed in the AIP Announcement. Accordingly, the Proposed Issuance is conditional upon the approval of Shareholders in an EGM to be convened. Further details on the Consideration Shares and the Proposed Issuance can be found in Paragraphs 4.1.4 and 9 respectively of this Letter to Shareholders.

- 1.4 **The approval in-principle given by the SGX-ST is not to be taken as an indication of the merits of the Proposed Acquisition, the Proposed Issuance, the Group, the Shares, the Target Company, or the Consideration Shares.**
- 1.5 The Directors are convening an EGM to be held at 9:30 a.m. on 28 February 2019 at Suntec Singapore International Convention & Exhibition Centre, Room 324, 1 Raffles Boulevard, Singapore 039593 to seek Shareholders' approval for the Proposed Transactions. The Notice of EGM is set out on page EGM-1 of this Circular.
- 1.6 This Circular has been prepared to provide Shareholders with information relating to and the rationale for the Proposed Transactions, to ensure that the Shareholders will be in a position to make an informed decision in respect of the Proposed Transactions at the EGM.

Shareholders should note that Resolution 2 relating to the Proposed Issuance (as set out in the Notice of EGM) is conditional upon the passing of Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) as they are integral parts of the same transaction, namely the Proposed Acquisition. In other words, Resolution 2 can only be passed if Resolution 1 is passed. However, Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) is not conditional upon the passing of Resolution 2 relating to the Proposed Issuance (as set out in the Notice of EGM). In other words, Resolution 1 can be passed without Resolution 2 being passed. This means that if Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) is not passed, Resolution 2 relating to the Proposed Issuance (as set out in the Notice of EGM) cannot and will not be passed and the Company will not proceed with the Proposed Acquisition and the issuance of Consideration Shares. In the event where Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) is passed but Resolution 2 relating to the Proposed Issuance (as set out in the Notice of EGM) is not passed, the Company will proceed with the transaction contemplated in Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) by using cash to satisfy its balance payment obligations under the transaction contemplated in Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) and will not issue any Consideration Shares under the transaction contemplated in Resolution 2.

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## LETTER TO SHAREHOLDERS

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- 1.7 The SGX-ST assumes no responsibility for the contents of this Circular, including the accuracy of any of the statements or opinions made or reports contained in this Circular. If any Shareholder is in any doubt as to the action he should take, he should consult his bank manager, stockbroker, solicitor, accountant or other professional advisers immediately.

### 2. INFORMATION ON THE TARGET COMPANY

#### 2.1 INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the United States of America. The Target Company was incorporated, as a joint venture company pursuant to an operating agreement (the “**Operating Agreement**”) executed between Procurri US and the Seller (collectively, the “**JV Partners**”), to provide a platform for the sale of refurbished technology hardware and to provide third party IT maintenance and support services to customers (the “**Business**”). The entry into the Operating Agreement was announced by the Company on 23 January 2017 (the “**JV Announcement**”). As at the Latest Practicable Date, the Target Company is primarily engaged in the Business.

The Target Company has a capital contribution of US\$100. As at the Latest Practicable Date, Procurri US and the Seller each hold 51% and 49% respectively of the entire issued and outstanding equity interests of the Target Company. The Target Company has been funding its operations with an initial intercompany loan from the Company and cash flow from the Target Company’s operations.

Upon completion of the Proposed Acquisition, the Target Company will become a wholly-owned subsidiary of Procurri US.

#### 2.2 VALUE OF AND NET PROFIT ATTRIBUTABLE TO THE TARGET SHARES

Based on the latest unaudited financial statements of the Target Company (the “**Target Company 9M2018 Results**”) for the nine-month financial period ended 30 September 2018 (“**9M2018**”), the book value and the net tangible asset value of the Target Shares were approximately US\$4,248,000. There is no open market value for the Target Shares as they are not publicly traded.

No independent valuation on the Target Shares was carried out for the purpose of the Proposed Acquisition.

The net profit before tax attributable to the Target Shares for 9M2018, based on the Target Company 9M2018 Results, is approximately US\$3,574,000.

### 3. INFORMATION ON THE SELLER

The Seller is a limited liability company incorporated in the United States of America, and is principally engaged in the reselling, support and decommissioning of enterprise data storage hardware.

The Seller is not related to the Directors or controlling shareholders of the Company and their respective associates.

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## LETTER TO SHAREHOLDERS

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### 4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

#### 4.1 CONSIDERATION

##### 4.1.1 Consideration

Under the IPA, Procurri US has agreed to acquire the Target Shares from the Seller for the Purchase Price, subject to the various adjustments specified in Paragraph 4.1.2 and payment of the Consideration Shares specified in Paragraph 4.1.4 of this Letter to Shareholders. The unadjusted Purchase Price that the Seller will receive for the sale of the Target Shares is US\$22,000,000.

The Purchase Price for the Target Shares was arrived at on a willing-buyer and willing-seller basis after arm's length negotiations, and was determined based on the historical financial performance, current financial position and prospects of the Target Company.

##### 4.1.2 Consideration Adjustments

In the event that the Target Company has any Aged Inventory in excess of US\$250,000 on hand as of 31 December 2018, Procurri US shall be entitled to a dollar for dollar adjustment of the Purchase Price (and the Post-Closing Date Payment) equal to the amount by which the Aged Inventory that remains on hand in inventory as of 31 December 2018 exceeds US\$250,000 (the "**Set-Off Amount**"). Procurri US shall also have the right to offset an amount equal to the Set-Off Amount against any amounts owed to the Seller under the IPA, including the Post-Closing Date Payment. As at 31 December 2018, the Aged Inventory is US\$277,305.

In addition, all accounts receivable due to the Target Company from the Seller or its affiliates as at the date of the IPA shall be brought current, to be paid in full within 30 days of the date of the invoice. If such accounts receivable have not been paid in full on each of their due dates, the said accounts receivable shall be satisfied by a reduction on a dollar for dollar basis against the Purchase Price and the Closing Date Payment if not paid in full on or before the Closing Date, or against the Purchase Price and Post-Closing Date Payment if not paid in full after the Closing Date. As at 31 December 2018, the accounts receivable arising mainly from the sale of IT distribution products and lifecycle services due to the Target Company from the Seller or its affiliates excluding the current accounts receivable is US\$9,779,810.

Notwithstanding the above, after the date of the IPA until Procurri US has paid the Post-Closing Date Payment in full, payment of accounts receivable up to an amount of US\$1,000,000 due to the Target Company from the Seller or its affiliates (the "**Eligible Receivables**") shall be permitted to be carried on the books of the Target Company and shall not be due and payable until and upon the payment by Procurri US of the Post-Closing Date Payment. To the extent any Eligible Receivables remain unpaid as of the date of the Post-Closing Date Payment, such Eligible Receivables shall be satisfied by the reduction, on a dollar for dollar basis, of the Post-Closing Date Payment.

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## LETTER TO SHAREHOLDERS

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In the event the Seller's affiliate, Congruity 360, LLC, engages in a transaction resulting in the sale or transfer of more than 50% of the equity interest of Congruity 360, LLC (a "**Congruity Change of Control**"), and in connection with such Congruity Change of Control, the accounts receivable owing to the Target Company by the Seller or its affiliates, including without limitation accounts receivable owing by Congruity 360, LLC due to the Target Company (the "**Congruity Receivables**") are brought current, then upon the payment of the Post-Closing Date Payment, the Eligible Receivables shall not reduce the amount of the Post-Closing Date Payment, and the Target Company shall only look to Congruity 360, LLC for payment of the Congruity Receivables. The rationale for this arrangement was that the Sellers and/or the Seller Principals would not be associated with Congruity 360, LLC in the event of a Congruity Change of Control. Congruity 360, LLC is a customer and vendor to the Seller. The Seller and the Seller Principals have an indirect interest in Congruity 360, LLC but are not involved in the day-to-day conduct of the business affairs of Congruity 360, LLC.

Finally, from and after the date of the IPA, all accounts payable due to the Seller or its affiliates from the Target Company shall be brought current, to be paid in full within 30 days of the date of the invoice. If such accounts payable have not been paid in full on each of their due dates, the said accounts payable shall be satisfied by an increase on a dollar for dollar basis against the Purchase Price or the Post-Closing Date Payment if not paid in full on or before the Post-Closing Date, or against the Purchase Price or the Post-Closing Date Payment if not paid in full on or before the Post-Closing Date. As at 31 December 2018, the accounts payable arising mainly from the purchase of IT distribution products and lifecycle services due to the Seller or its affiliates excluding the current accounts payable is US\$1,072,010.

Notwithstanding the foregoing, any accounts payable due to the Seller's affiliate, Congruity 360, LLC, from the Target Company or Procurri US relating to the Target Company's transactions with a specified customer shall not be due and payable to Congruity 360, LLC unless and until payment is made by such customer to the Target Company. The Target Company, Congruity 360, LLC and Procurri US are customers and vendors to each other. As disclosed in the Proposed Transactions Announcement, the said accounts payable amount to approximately US\$500,000.

### 4.1.3 Terms of Payment

Subject to the various adjustments in Paragraph 4.1.2 and the payment of the Consideration Shares in Paragraph 4.1.4 of this Letter to Shareholders, the Purchase Price will be paid, as follows:

- (a) on the Closing Date, the sum of US\$12,000,000 in cash (the "**Closing Date Payment**"); and
- (b) on 31 January 2020 (the "**Post-Closing Date**"), US\$10,000,000 will be paid in cash (the "**Post-Closing Date Payment**").

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## LETTER TO SHAREHOLDERS

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Procurri US shall have the option (the “**Stock Payment Option**”) with respect to each of the Closing Date Payment and the Post-Closing Date Payment to satisfy a portion of such payment obligations (the “**Stock Payment**”) in an amount up to US\$2,000,000 for each of the Closing Date Payment and Post-Closing Date Payment through the transfer or issuance to the Sellers of shares of the Company (the “**Consideration Shares**”); provided that the sum of all Stock Payments shall not exceed US\$4,000,000 (the “**Stock Payment Cap**”).

### 4.1.4 Consideration Shares

In the event Procurri US exercises its discretion to make a Stock Payment, the Consideration Shares that are issued shall be valued at a price per share equivalent to the higher of (the “**Share Valuation Method**”):

- (a) 90% of the weighted average price of shares of the Company for trades done on the SGX-ST for the 20 full market days prior to the Closing Date, as the case may be;
- (b) 90% of the weighted average price of shares of the Company for trades done on the SGX-ST for the 20 full market days prior to the Post-Closing Date, as the case may be; or
- (c) the weighted average price of shares of the Company for trades done on the SGX-ST for the full market day on the date of the IPA, being 16 November 2018.

For the purposes of determining the number of Consideration Shares to be issued, the value of the Stock Payment shall be converted at the exchange rate between Singapore Dollars and United States Dollars as reported by the Wall Street U.S. Edition on the last business day prior to the Closing Date and the Post-Closing Date, as the case may be.

As an illustration only, in the event where the Stock Payment Option is exercised and the maximum Stock Payment of US\$4,000,000 is made and converted to S\$5,520,000 at an exchange rate of US\$1:S\$1.38, the number of Consideration Shares issued and allotted would be 18,910,586, assuming an issue price of S\$0.2919 per Consideration Share. The Consideration Shares will represent 6.27% of the Company’s enlarged share capital comprising 303,599,586 Shares.

### 4.1.5 Moratorium

In the event that the Consideration Shares are issued to the Seller, or to a Seller Principal (at the request of the Seller), the Seller and/or Seller Principals, as the case may be, have undertaken not to directly or indirectly transfer or dispose of any of their Consideration Shares or any of the economic consequences of ownership of said Shares, for a period of 180 days from the date of Proposed Issuance to the Seller and/or Seller Principals, as the case may be.



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## LETTER TO SHAREHOLDERS

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### 4.2 ASSET PURCHASE AND LICENSING

Simultaneously with the execution of the IPA, the Seller entered into an asset purchase agreement with the Seller Principals and the Target Company (the “**APA**”). Under the terms of the APA, the Seller agreed to transfer, assign and deliver certain assets owned by the Seller, including assets that are currently licensed to and used by the Target Company in connection with its Business, to the Target Company on the Closing Date (the “**Assets**”). Such Assets include registered trademarks, licensed software and other intellectual property used in the Target Company’s business but exclude any right in and to the [www.congruity.com](http://www.congruity.com) domain name itself. In consideration for the Assets, the Target Company has agreed to, *inter alia*, pay the Seller an amount of US\$100.

The Target Company was granted an exclusive license under a licence agreement dated 20 January 2017 to use the domain [www.congruity.com](http://www.congruity.com) for the purpose of promoting and conducting the business of the Target Company. On the Closing Date, a supplemental agreement between the Seller, Seller Principals and the Target Company (the “**Licence Amendment Agreement**”) to amend the licence agreement shall be executed. The Licence Amendment Agreement concerns the extension of the term of the licence agreement from 20 January 2019 to three (3) months following Closing Date to allow for the transfer of the rights in the content (the “**Content**”) in the [www.congruity.com](http://www.congruity.com) domain to the Target Company as the parties intend that the [www.congruity.com](http://www.congruity.com) domain will no longer be used to promote and conduct the business of the Target Company. Accordingly, the domain will be deactivated upon the completion of the transfer of such rights in the Content.

### 4.3 EMPLOYMENT OF THE SELLER PRINCIPALS AND RESTRICTIVE COVENANTS ON THE SELLER PRINCIPALS AND THE SELLER

Pursuant to the IPA, both Seller Principals, who are currently employees of the Target Company, will execute fresh employment agreements with the Target Company at Closing.

Mr. Sean Brady serves as the Chief Operating Officer of the Target Company and Mr. Brian Davidson serves as the President of the Target Company. Both Seller Principals are members and principal owners of the Seller and are the recorded and beneficial owners of the Seller. The Seller Principals possess knowledge, experience and expertise which are valuable to the Target Company.

The Seller and the Seller Principals will also undertake customary restrictive covenants in favour of Procurri US and the Target Company pursuant to a restrictive covenants agreement (the “**Covenants Agreement**”) which provides, *inter alia*, that:

- (a) each of the Seller and the Seller Principals keep confidential and not disclose confidential information pertaining to the Business or the Target Company to any third party without the Target Company’s prior written consent, or unless required by judicial and governmental action and as permitted under the Covenants Agreement. In respect of confidential information that does not constitute a trade secret, the confidentiality obligation applies for a period of five (5) years following the date of the Covenants Agreement (the “**Effective Date**”);



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## LETTER TO SHAREHOLDERS

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- (b) during the period of three (3) years following the Effective Date, the Seller shall not, within the geographic region throughout which Target Company conducted its business (the “**Restricted Business**”) as of immediately prior to the Effective Date, in any way, directly or indirectly, either on its own account or otherwise do any of the following: (i) be engaged in or be economically interested in any business which is if the same or similar type to the Restricted Business or which is or is likely to be in competition with the Restricted Business; (ii) solicit or attempt to solicit orders or contracts for the supply of any competing service or product to the Target Company’s customers; or (iii) solicit, divert or entice any person employed or engaged by Target Company or Procurri US (each, a “**Restricted Person**”) to perform duties or provide services that are substantially similar to those duties performed or services provided by or on behalf of such Restricted Person to the Target Company or Procurri US, as the case may be.
- (c) during the period of three (3) years following the Effective Date, the Seller Principals shall not directly or indirectly (i) own any interest in, provide financing to, render services of any nature, whether for consideration or otherwise to, serve as an employee, independent contractor, consultant, director, officer or agent for, or become associated with or interested in, in any way, with, any entity which has a business substantially similar to the Restricted Business or any entity providing any competing service or product; (ii) solicit or attempt to solicit orders or contracts for the supply of any competing service or product to any the Target Company’s customers; and (iii) solicit, divert or entice any Restricted Person to perform duties or provide services that are substantially similar to those duties performed or services provided by or on behalf of such Restricted Person to the Target Company or Procurri US, as the case may be.

### 4.4 CONDITIONS PRECEDENT AND CLOSING

Closing is subject to the satisfaction or waiver of the following:

#### 4.4.1 General Conditions Precedent

The obligations of Procurri US, the Target Company, the Seller and the Seller Principals to consummate the Closing are subject to the satisfaction or waiver of the following conditions:

- (a) all required consents, approvals and authorisations of governmental authorities having been obtained; and
- (b) there being in effect no injunction or other order issued by any governmental authority which restrains, prohibits or otherwise makes illegal the transactions contemplated by the IPA at the Closing Date.

#### 4.4.2 Procurri US’s Conditions Precedent

The obligations of Procurri US to consummate the Closing are subject to the satisfaction or waiver of, *inter alia*, the following conditions:

- (a) the transaction documents including, *inter alia*, the IPA, the APA, the Licence Amendment Agreement and the Covenants Agreement duly executed by the relevant parties and having been delivered to Procurri US;

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## LETTER TO SHAREHOLDERS

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- (b) the IPA and the transactions described therein having been duly adopted and duly approved by the managers, board of directors and members of Procurri US, and the Board of Directors and the Shareholders;
- (c) the representations and warranties of the Seller and the Seller Principals in the IPA shall be complete, true and correct in all material respects as of the Closing Date; and
- (d) there having been no material adverse change in the business, operations, properties, prospects, assets, liabilities, or condition of the Target Company, and no event having occurred or circumstances existing that may result in such material adverse effect.

### 4.4.3 Seller's Conditions Precedent

The obligations of the Seller to consummate the Closing are subject to the satisfaction or waiver of, *inter alia*, the following conditions:

- (a) the transaction documents including, *inter alia*, the IPA, the APA, the Licence Amendment Agreement and the Covenants Agreement duly executed by the relevant parties and having been delivered to the Seller;
- (b) the representations and warranties of the buyer in the IPA shall be complete, true and correct in all material respects as of the Closing Date; and
- (c) Procurri US having delivered to the Seller the Closing Date Payment, including the Stock Payment,

(the conditions specified in Paragraphs 4.4.1 to 4.4.3 of this Letter to Shareholders collectively, the "**Closing Conditions Precedent**").

### 4.4.4 Closing

Closing will take place on the later of:

- (a) the second business day immediately following the date on which each of the Closing Conditions Precedent have been satisfied or, if permissible, waived (other than those conditions that by their nature are to be satisfied at the Closing (but subject to the satisfaction or waiver of those conditions)); or
- (b) at such other date and time as Procurri US and the Seller may mutually agree in writing.

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## LETTER TO SHAREHOLDERS

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### 5. RATIONALE FOR THE PROPOSED ACQUISITION AND SOURCE OF FUNDING

#### 5.1 RATIONALE FOR THE PROPOSED ACQUISITION

The Board believes that the Proposed Acquisition is a strategic acquisition which will be significantly positive to the Group's long-term growth strategy and will enhance the performance of the Group, for the following reasons:

##### 5.1.1 **Increasing the Group's competitive edge and enhancing synergies from full integration**

In recent years, there has been a significant number of mergers and acquisition activities within the independent maintenance industry, as competitors are actively scaling up operations in order to capture a meaningful market share. The Board believes that full integration of the Target Company's operations will enable the Group to compete even more effectively with its competitors.

The Target Company generated significant deferred revenue of approximately US\$7,188,000 in the completed financial year commencing 1 January 2017 and ending 31 December 2017 ("**FY2017**") and approximately US\$5,935,000 in 9M2018 due to advanced revenue billings to customers for signed contracts. For the deferred revenue of approximately US\$5,935,000 in 9M2018, the Company expects that approximately US\$2,888,000 to be recognised as revenue in the fourth quarter ended 31 December 2018 ("**4Q2018**") and approximately US\$2,778,000 to be recognised as revenue in FY2019. For accounting purposes, these billings represent future revenue that can be recognised in the financial statements. This deferred revenue can be perceived as a form of order book. The recurring monthly billings in 9M2018 amounting to approximately US\$300,000 are not recognised as deferred revenue given that the signed contracts may be terminated within a year by the customer. The net profit after tax of the Target Company in FY2017 is approximately US\$3,324,000. In 9M2018, the Target Company generated a net profit after tax of approximately US\$5,149,000.

Given the robust performance of the Target Company, the Board believes that the Proposed Acquisition will create a more effective Business, and will improve the decision-making efficiency of, and integration process of, the Business, which are beneficial to the long-term profitability of the Group.

##### 5.1.2 **The Distribution Waiver**

Furthermore, the Board has evaluated the financial impact of the Proposed Acquisition, and is of the view that the Proposed Acquisition would result in greater earnings for the Company relative to the position the Company would be in, when the Seller's assignment of its right to distributions to Procurri US in respect of the Target Shares under the Operating Agreement (the "**Distribution Waiver**") expires on 31 December 2018 and without carrying out the Proposed Acquisition.

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## LETTER TO SHAREHOLDERS

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The Distribution Waiver is effective for the period commencing from the date of incorporation of the Target Company to 31 December 2018, during which, distributions and allocations for (i) any cash flow remaining after making distributions for unpaid interest and balances on any additional capital contributions, if any; (ii) profit or loss for any part of a taxable year of the Target Company during the period; (iii) profit and loss from a capital transaction occurring during the period; and (iv) any balance of capital proceeds arising from a capital transaction occurring during the period, will be made only to Procurri US, notwithstanding that Procurri US only owns 51% equity in the Target Company. Upon the expiry of the Distribution Waiver, all such distributions and allocations will be made to the Shareholders in proportion to their respective prevailing shareholding percentages in the Target Company.

Purely as an illustration, the financial effects of the Distribution Waiver on the Group's net losses in FY2017 without accounting for the Proposed Acquisition, as stated in the audited consolidated financial statements of the Group for FY2017 ("**Group FY2017 Results**"), is set out below.

	<b>With the Distribution Waiver</b>	<b>Without the Distribution Waiver</b>
Profits/(Loss) <sup>(1)</sup> attributable to shareholders of the Company (S\$'000)	(2,749)	(4,980)
Weighted average number of shares for FY2017	280,118,325	280,118,325
Earnings/(Loss) per share (S\$ cents)	(0.98)	(1.78)

**Note:**

(1) Profits and losses refers to profits and losses after tax for FY2017 attributable to the Shareholders. For the avoidance of doubt, the financial effects of the Distribution Waiver computed above does not account for the Proposed Acquisition having taken place.

Taking the above into consideration, the Board has decided to proceed with the Proposed Acquisition to purchase the Target Shares.

### 5.2 SOURCE OF FUNDS

The Purchase Price will be financed through the Group's internal funds and/or bank borrowings. The Company intends to finance a portion of the Purchase Price from the net proceeds remaining after the initial public offering of the Shares ("**IPO Proceeds**") in July 2016. Further details can be found in Paragraph 6 of this Letter to Shareholders.

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## LETTER TO SHAREHOLDERS

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### 6. CHANGE IN USE OF IPO PROCEEDS

As disclosed in the Proposed Transactions Announcement, the usage of IPO Proceeds as at the Latest Practicable Date is as follows:

<b>Use of IPO Proceeds</b>	<b>Allocation of IPO Proceeds (\$\$'000)</b>	<b>IPO Proceeds utilised (\$\$'000)</b>	<b>Balance of IPO Proceeds (\$\$'000)</b>
Mergers and acquisitions, joint ventures and partnerships strategy	17,000	16,125	875
Enhancement of infrastructure	5,000	1,911	3,089
Repayment of the DeClout Loans (as defined in the Offer Document)	6,081	6,081	0
Working capital purposes	6,744	6,744	0
<b>Total</b>	<b>34,825</b>	<b>30,861</b>	<b>3,964</b>

As at the Latest Practicable Date, the balance of the IPO Proceeds stands at a sum of approximately S\$3,964,000. The Company wishes to announce that, subject to the approval of the Shareholders to proceed with the Proposed Acquisition, it has reallocated IPO Proceeds amounting to approximately S\$3,089,000 unutilised for the enhancement of infrastructure to fund mergers and acquisitions, joint ventures and partnerships strategy (the "**Reallocation**"), so as to pay part of the Purchase Price.

The Board is of the view that the Reallocation is in the best interest of the Company for the reasons set out in Paragraph 5.1 of this Letter to Shareholders above. The amount of IPO Proceeds previously earmarked for the enhancement of infrastructure took into consideration the possibility of setting up an operations centre. However, the Board is of the view that, given the strategic nature of the Proposed Acquisition, the Reallocation currently presents a better use of the unutilised IPO Proceeds. Accordingly, following the Reallocation, the balance of the IPO Proceeds, amounting to approximately S\$3,964,000, will be used to finance part of the Closing Date Payment.

### 7. THE PROPOSED ACQUISITION AS A MAJOR TRANSACTION

Where relevant and unless otherwise stated, the sums in this Paragraph 7 of this Letter to Shareholders denominated in United States Dollars have been converted into Singapore Dollars at an exchange rate of US\$1:S\$1.38.

## LETTER TO SHAREHOLDERS

Based on the latest unaudited consolidated financial statements of the Group for the nine-month financial period ended 30 September 2018 (“**Group 9M2018 Results**”) and the Target Company 9M2018 Results, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual are as follows:

Rule 1006	Bases of Calculation	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable <sup>(1)</sup>
(b)	The net profits/(losses) attributable to the assets being acquired, compared with the Group’s net profits/(losses)	60.9 <sup>(2)</sup>
(c)	The aggregate value of the Purchase Price, compared with the market capitalisation of the Company based on the total number of issued Shares excluding treasury shares	35.7 <sup>(3)</sup>
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue (excluding treasury shares)	6.7 <sup>(4)</sup>
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves	Not applicable <sup>(5)</sup>

**Notes:**

- (1) Rule 1006(a) of the Listing Manual is not applicable as the Proposed Acquisition involves an acquisition of assets.
- (2) Net profits/losses is defined as profit/loss before tax. The net profit before tax attributable to the Target Shares based on 49% of the Target Company 9M2018 Results is approximately S\$4,795,000 (as converted from a sum of US\$3,600,000). The Group’s net profit before tax based on the Group 9M2018 Results is approximately S\$7,873,000.
- (3) The relative figure is computed by dividing the Purchase Price of approximately S\$30,360,000 (being converted from a sum of US\$22,000,000) by the market capitalisation of the Company of approximately S\$85,138,000 based upon a total number of 282,569,100 Shares (excluding treasury shares) of the Company in issue as at 15 November 2018, and the volume weighted average price of S\$0.3013 per Share on the SGX-ST as at 15 November 2018, being the full market day prior to the date of the IPA.
- (4) The number of equity securities issued by the Company is 18,910,586 assuming the maximum Stock Payment is made, being equivalent to a total value of approximately S\$5,520,000 (being converted from US\$4,000,000). The Consideration Shares are valued at a price equivalent to the weighted average price of the Shares for trades done on the SGX-ST for the full market day on the date of the IPA at 16 November 2018, being a price of S\$0.2919. As such, the number of Consideration Shares issued, pursuant to the completion of the entire Proposed Acquisition, is 18,910,586. The number of issued Shares (excluding treasury shares) as of the Latest Practicable Date is 284,689,000.
- (5) Rule 1006(e) of the Listing Manual is not applicable as the Company is not a mineral, oil and gas company.

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## LETTER TO SHAREHOLDERS

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As the relative figures computed based on Rule 1006(b) and (c) of the Listing Manual exceed 20%, the Proposed Acquisition constitutes a “major transaction” under Rule 1014 of the Listing Manual. Accordingly, the Proposed Acquisition is conditional upon the approval of Shareholders in an EGM to be convened.

### **8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

The *pro forma* financial effects of the Proposed Acquisition as set out below are for illustrative purposes only and do not reflect the actual results and financial position of the Group and of the Company following the Closing.

The *pro forma* financial effects of the Proposed Acquisition on the NTA per Share and EPS of the Group are prepared based on the Group FY2017 Results, and are subject to the following assumptions:

- (a) the financial effect on the consolidated NTA per Share is computed based on the assumption that the Proposed Acquisition was completed on 31 December 2017;
- (b) the financial effect on the consolidated EPS is computed based on assumption that the Proposed Acquisition was completed on 1 January 2017;
- (c) 18,910,586 Consideration Shares are issued for the maximum Stock Payment, equivalent to a value of approximately S\$5,520,000 (being converted from a sum of US\$4,000,000), at a price per share of S\$0.2919, being the weighted average price of the Shares for trades done on the SGX-ST for the full market day on the date of the IPA at 16 November 2018;
- (d) banking facilities of US\$8 million will be drawn down by the Company to finance the Proposed Acquisition; and
- (e) the expenses incurred in relation to the Proposed Transactions are approximately S\$321,000.

For the avoidance of doubt, such financial effects do not take into account any corporate actions announced and undertaken by the Group subsequent to 31 December 2017.

## LETTER TO SHAREHOLDERS

### 8.1 FINANCIAL EFFECTS ON THE CONSOLIDATED NTA PER SHARE

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA of the Group <sup>(1)</sup> (S\$'000)	50,018	24,539
Number of shares	282,056,600 <sup>(2)</sup>	300,967,186
NTA per share (S\$ cents)	17.73	8.15

**Notes:**

- (1) NTA refers to total assets less the sum of total liabilities, non-controlling interest and intangible assets. The NTA of the Group in light of the Proposed Acquisition was adjusted based on the following calculations:

<b>Accounting item</b>	<b>S\$'000</b>
Payment of the Purchase Price to the Seller (discounted to net present value)	(29,453)
Issuance of Consideration Shares	5,339
Expenses incurred in relation to the Proposed Transactions	(321)
De-recognition of a derivative financial asset, being the call option under the Operating Agreement exercisable by the Group for the Target Shares. For the avoidance of doubt, the Proposed Acquisition is not pursuant to an exercise of the call option.	(1,044)
Non-controlling interests acquired under the Proposed Acquisition (rounded down to the nearest S\$1,000), taking the Distribution Waiver into consideration. For the avoidance of doubt, the non-controlling interest is S\$68, being 49% of the incorporation capital of US\$100, equivalent to approximately S\$138 based on the exchange rate of US\$1:S\$1.38. The NTA of the Target Company as at 31 December 2017 is US\$3,324,000, equivalent to approximately S\$4,444,000 based on the exchange rate of US\$1:S\$1.34.	0
<b>Net increase/(decrease) in NTA after the Proposed Acquisition</b>	<b>(25,479)</b>

- (2) Based upon a total number of 282,056,600 Shares (excluding treasury shares) of the Company in issue as at 31 December 2017.



## LETTER TO SHAREHOLDERS

### 8.2 FINANCIAL EFFECTS ON THE CONSOLIDATED EPS

	Before the Proposed Acquisition	After the Proposed Acquisition	As an illustration only: Assuming the Proposed Acquisition does not occur and without the Distribution Waiver <sup>(3)</sup>
Profits/(Loss) <sup>(1)</sup> attributable to Shareholders (S\$'000)	(2,749) <sup>(2)</sup>	(4,615)	(4,980)
Weighted average number of Shares for FY2017	280,118,325	299,028,911	280,118,325
Earnings/(Loss) per Share (S\$ cents)	(0.98)	(1.54)	(1.78)

**Notes:**

- (1) Profits and losses refers to profits and losses after tax attributable to the Shareholders. The increase in the loss attributable to the Shareholders from approximately S\$2,749,000 before the Proposed Acquisition to approximately S\$4,615,000 after the Proposed Acquisition is approximately S\$1,866,000, due to:
  - (a) the expenses incurred in relation to the Proposed Transactions of approximately S\$321,000;
  - (b) the interest expense incurred in financing the payment of the Purchase Price of approximately S\$358,000;
  - (c) the amortisation expense of the Assets of approximately S\$280,000; and
  - (d) the fair value adjustment on the financial liability arising from the deferred payment of approximately S\$907,000.
- (2) The profit is based on 100% of the Target Company's profits due to the Distribution Waiver disclosed in Paragraph 5.1.2 of this Letter to Shareholders.
- (3) Purely as an illustration only, this column shows the financial effects on the Group's net losses and loss per share in FY2017 assuming the Proposed Acquisition does not occur and the Dividend Waiver is not accounted for.

As set out in Paragraph 5.1.2 of this Letter to Shareholders, the Board is of the view that the Proposed Acquisition would result in greater earnings for the Company relative to the position the Company would be in when the Distribution Waiver expires in 31 December 2018 and without carrying out the Proposed Acquisition. Please refer to Paragraph 5.1.2 of this Letter to Shareholders for an illustration on the same basis of the Group's net losses for FY2017.

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## LETTER TO SHAREHOLDERS

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### 9. THE PROPOSED ISSUANCE

As specified in Paragraph 4.1.4 of this Letter to Shareholders, the Proposed Issuance contemplates, *inter alia*, the allotment and issuance of up to 18,910,586 Consideration Shares of a maximum value up to the Stock Payment Cap. Please refer to Paragraph 4.1.4 of this Letter to Shareholders for an illustration on the calculation of the number of Consideration Shares.

Rule 805(1) of the Listing Manual provides that an issuer must obtain prior approval of the Shareholders in general meeting for the issue of shares unless such issuance of shares is covered under a general mandate obtained from the Shareholders. Further, under Section 161(1) of the Companies Act, notwithstanding anything in a company's constitution, the directors shall not, without the prior approval of the company in general meeting, exercise any power of the company to issue shares.

Further, pursuant to the AIP Announcement on 31 January 2019, the Proposed Issuance and the listing and quotation of the Consideration Shares on the Main Board of the SGX-ST is subject to, *inter alia*, Shareholders' approval being obtained for the Proposed Transactions at an EGM to be convened.

Accordingly, the Proposed Issuance is conditional upon the approval of Shareholders in the EGM to be convened.

**The approval in-principle given by the SGX-ST is not to be taken as an indication of the merits of the Proposed Acquisition, the Proposed Issuance, the Group, the Shares, the Target Company, or the Consideration Shares.**

## LETTER TO SHAREHOLDERS

### 10. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND CONTROLLING SHAREHOLDERS

#### 10.1 INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS IN SHARES

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, based on the registers of Directors' interests in Shares and Substantial Shareholders' interests in Shares respectively, are as follows:

	Number of Shares			
	Direct Interest	%( <sup>1</sup> )	Deemed Interest	%( <sup>1</sup> )
<b>Directors</b>				
Thomas Sean Murphy	2,063,000	0.72	33,995,000 <sup>(2)</sup>	11.94
Edward John Flachbarth	1,068,000	0.38	33,995,000 <sup>(3)</sup>	11.94
Ho Chew Thim	241,000	0.08	–	–
Ng Loh Ken Peter	137,600	0.05	–	–
Wong Quee Quee, Jeffrey	123,800	0.04	–	–
<b>Substantial Shareholders (other than Directors)</b>				
DeClout Limited	84,319,978	29.62	–	–
Irrucorp Pte. Ltd.	33,995,000	11.94	–	–
Soh Chooi Lai	38,447,700	13.51	–	–
Kyowa Exeo Corporation <sup>(4)</sup>	–	–	84,319,978	29.62

**Notes:**

- (1) The percentage is calculated based on the total number of 284,689,000 Shares (excluding treasury shares) of the Company in issue as at the Latest Practicable Date.
- (2) 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, which at the Latest Practicable Date, amounts to 33,995,000.
- (3) Edward John Flachbarth is deemed to have an interest in the Shares held by Irrucorp Pte. Ltd. by virtue of Section 7 of the Companies Act, which at the Latest Practicable Date, amounts to 33,995,000.
- (4) Kyowa Exeo Corporation is deemed to have an interest in the Shares held by DeClout Limited pursuant to a voluntary conditional cash offer by its wholly-owned subsidiary, Exeo Global Pte. Ltd., which at the Latest Practicable Date, has received valid acceptances amounting to an aggregate of 537,631,010 shares, representing approximately 80.73% of the total number of issued shares of DeClout Limited.

#### 10.2 INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS IN THE PROPOSED ACQUISITION

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholdings in the Company.

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## LETTER TO SHAREHOLDERS

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### 11. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Acquisition.

### 12. DIRECTORS' RECOMMENDATIONS

Having reviewed, among other things, the rationale for the Proposed Transactions, the Directors are unanimously of the view that the Proposed Transactions are in the best interests of the Company, and they recommend that Shareholders vote in favour of the Proposed Transactions at the EGM.

The Directors, in rendering their recommendations, have not had regard to the specific investment objectives, financial situation, tax position or unique needs and constraints of any individual Shareholder. As different Shareholders may have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio consult his stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

### 13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages EGM-1 to EGM-3 of this Circular, will be held at 9:30 a.m. on 28 February 2019 at Suntec Singapore International Convention & Exhibition Centre, Room 324, 1 Raffles Boulevard, Singapore 039593 for the purpose of considering and, if thought fit, passing with or without modification the resolutions set out in the Notice of EGM.

### 14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote on their behalf, should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the Company's Share Registrar's office at 80 Robinson Road, #02-00, Singapore 068898 not later than 72 hours before the time set for the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless Shares are entered against his name on the Depository Register at least 72 hours before the time fixed for the EGM.

Where a Shareholder is required by the listing rules of the SGX-ST or a court order to abstain from voting at a general meeting, such Shareholder shall not be entitled to vote on the resolutions at the EGM and shall abstain from voting in respect of any resolution, and the Company shall be entitled to disregard any votes that are cast in contravention of any such listing rule, court order (where such court order is served on the Company), or if the listing rules of the SGX-ST require the Company to do so.

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## LETTER TO SHAREHOLDERS

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**Shareholders and other investors are reminded to exercise caution when dealing in the Shares. In the event that Shareholders and other investors are in doubt about the actions they should take, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.**

### **15. DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this circular misleading. Where information in the circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the circular in its proper form and context.

### **16. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the transaction documents, including the IPA, APA, Covenants Agreement, licence agreement dated 20 January 2017, Licence Amendment Agreement and Operating Agreement are available for inspection during normal business hours at the registered office of the Company at 29 Tai Seng Avenue, #02-01 Natural Cool Lifestyle Hub, Singapore 534119 for a period of three (3) months from the date of this Circular.

Yours faithfully  
For and on behalf of the Board  
**PROCURRI CORPORATION LIMITED**

Thomas Sean Murphy  
Chairman and  
Global Chief Executive Officer

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### PROCURRI CORPORATION LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 201306969W)

*Unless otherwise defined, all capitalised terms used herein shall bear the same meaning as used in the circular dated 13 February 2019 issued by Procurri Corporation Limited (the “Circular”).*

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of **PROCURRI CORPORATION LIMITED** (the “**Company**”) will be held on 28 February 2019 at 9:30 a.m. at Suntec Singapore International Convention & Exhibition Centre, Room 324, 1 Raffles Boulevard, Singapore 039593, for the purpose of considering and, if thought fit, passing the following resolutions:

Shareholders should also note that Resolution 2 relating to the Proposed Issuance (as set out in the Notice of EGM) is conditional upon the passing of Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) as they are integral parts of the same transaction, namely the Proposed Acquisition. In other words, Resolution 2 can only be passed if Resolution 1 is passed. However, Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) is not conditional upon the passing of Resolution 2 relating to the Proposed Issuance (as set out in the Notice of EGM). In other words, Resolution 1 can be passed without Resolution 2 being passed. This means that if Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) is not passed, Resolution 2 relating to the Proposed Issuance (as set out in the Notice of EGM) cannot and will not be passed, and the Company will not proceed with the Proposed Acquisition and the issuance of Consideration Shares. In the event where Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) is passed but Resolution 2 relating to the Proposed Issuance (as set out in the Notice of EGM) is not passed, the Company will proceed with the transaction contemplated in Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) by using cash to satisfy its balance payment obligations under the transaction contemplated in Resolution 1 relating to the Proposed Acquisition (as set out in the Notice of EGM) and will not issue any Consideration Shares under the transaction contemplated in Resolution 2.

#### **ORDINARY RESOLUTION 1: THE PROPOSED ACQUISITION OF 49% OF THE ISSUED AND OUTSTANDING EQUITY INTERESTS OF ROCKLAND CONGRUITY LLC AS A MAJOR TRANSACTION**

- (a) that approval be and is hereby given for:
- (i) the Proposed Acquisition of 49% of the issued and outstanding equity interests of Rockland Congruity LLC by Procurri US, a wholly-owned subsidiary of the Company, from Congruity LLC for the unadjusted Purchase Price of US\$22,000,000 on the terms and subject to the conditions of the IPA, such Proposed Acquisition being a “major transaction” for the purpose of Chapters 10 of the Listing Manual and details of which have been set out in the Circular to Shareholders dated 13 February 2019; and
  - (ii) the entry by Procurri US into the relevant transaction documents arising out of the Proposed Acquisition including, *inter alia*, the IPA, the APA, Licence Amendment Agreement and the Covenants Agreement, details of which have been set out in the Circular to Shareholders dated 13 February 2019; and

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## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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- (b) that all the Directors and each of them be and are hereby authorised to do any and all such acts and things as such Director may, in their absolute discretion deem fit, advisable, necessary or expedient to give effect to the matters referred to in paragraph (a) of this Ordinary Resolution 1 and to give effect to this Ordinary Resolution 1 (including but not limited to amending and executing any agreements or documents as may be required, and procuring third party consents) as he shall think fit and in the interests of the Company, and the taking of any and all actions whatsoever by any Director on behalf of the Company in connection with the matters referred to in paragraph (a) of this Ordinary Resolution 1 prior to the date of the EGM be and are hereby ratified and confirmed.

### **ORDINARY RESOLUTION 2: THE PROPOSED ISSUE OF NEW CONSIDERATION SHARES BY THE COMPANY PURSUANT TO THE PROPOSED ACQUISITION**

That, subject to and contingent upon the passing of Ordinary Resolution 1:

- (a) authority be and is hereby given to the Directors, in accordance with Section 161 of the Companies Act and Chapter 8 of the Listing Manual to allot and issue from time to time such number of Consideration Shares to Congruity LLC or to the Seller Principals at the request of Congruity LLC, as may be required to be issued pursuant to the exercise of the Stock Payment Option by Procurri US under the IPA, provided always that the value of Consideration Shares issued pursuant to any and all Stock Payments when aggregated together shall not exceed the Stock Payment Cap of US\$4,000,000 (converted based on the exchange rate between Singapore Dollars and United States Dollars as reported by the Wall Street, U.S. Edition and as quoted on the last business day prior to the Closing Date and the Post-Closing Date, as the case may be). The Consideration Shares allotted and issued with respect to any Stock Payment shall be valued using the Share Valuation Method. Details of the Stock Payment Option and the Share Valuation Method have been set out in the Circular to Shareholders dated 13 February 2019. Such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until Procurri US has satisfied its payment obligations in respect of any and all Post-Closing Date Payments under the IPA; and
- (b) all the Directors of the Company and each of them be and are hereby authorised to do any and all such acts and things as such Director may, in their absolute discretion deem fit, advisable, necessary or expedient to give effect to the matters referred to in paragraph (a) of this Ordinary Resolution 2 and to give effect to this Ordinary Resolution 2 (including but not limited to issuing and sealing any new share certificates, amending and executing any agreements or documents as may be required, and procuring third party consents) as he shall think fit and in the interests of the Company, and the taking of any and all actions whatsoever by any Director on behalf of the Company in connection with the matters referred to in paragraph (a) of this Ordinary Resolution 2 prior to the date of the EGM be and are hereby ratified and confirmed.

**BY ORDER OF THE BOARD**  
**PROCURRI CORPORATION LIMITED**

Lin Moi Heyang  
Company Secretary

13 February 2019

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Notes:

1. Except for a Shareholder who is a relevant intermediary as defined under Section 181(6) of the Companies Act (a “**Relevant Intermediary**”), a Shareholder is entitled to appoint not more than two (2) proxies to attend, speak and vote at the EGM. A proxy need not be a Shareholder of the Company. Where a Shareholder appoints more than one (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 Shareholder who is a Relevant Intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Shareholder. Where such Shareholder 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, 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, #02-00, Singapore 068898 not later than 72 hours before the time set for the EGM.
4. A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the EGM.

### PERSONAL DATA PRIVACY

By submitting a Proxy Form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM 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 or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) 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 or service providers), 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 or service providers) 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.



## PROXY FORM

### PROCURRI CORPORATION LIMITED

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

#### IMPORTANT:

Pursuant to Section 181(1C) of the Companies Act (Chapter 50) of Singapore ("Companies Act"), Relevant Intermediaries (as defined in Section 181(6) of the Companies Act) may appoint more than 2 proxies to attend, speak and vote at the extraordinary general meeting.

#### Personal Data Privacy

By 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 extraordinary general meeting dated 13 February 2019.

\*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 extraordinary general meeting of the Company (the "**EGM**"), as \*my/our proxy(ies) to attend and vote on \*my/our behalf at the EGM to be held at Suntec Singapore International Convention & Exhibition Centre, Room 324, 1 Raffles Boulevard, Singapore 039593 on 28 February 2019 at 9:30 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 EGM 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 EGM.

NO.	RESOLUTIONS RELATING TO:	FOR**	AGAINST**
1.	Proposed acquisition of 49% of the issued and outstanding equity interests of Rockland Congruity LLC as a major transaction (the "Proposed Acquisition")		
2.	Proposed issue of new consideration shares by the Company pursuant to the Proposed Acquisition		

#### Notes:

\* Please delete accordingly

\*\* Please indicate your vote "For" or "Against" with an "X" within the box provided

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

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

\_\_\_\_\_  
Signature(s) of Member(s)/Common Seal

**IMPORTANT:** Please read notes overleaf

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## PROXY FORM

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**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 EGM. 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 EGM, 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 EGM, in accordance with the Company's Constitution and Section 179 of the Companies Act.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any), under which it is signed, or notorially certified copy thereof, must be deposited at the Company's Share Registrar's office at 80 Robinson Road, #02-00, Singapore 068898 not later than 72 hours before the time set for the EGM.
6. A Depositor (as defined in the Securities and Futures Act (Chapter 289) of Singapore ("SFA")) shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register (as defined in the SFA) 72 hours before the time set for the EGM.
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 in the SFA), 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.
8. If the member has shares entered against his name in the Depository Register (as defined in the SFA) 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 proxy form will be deemed to relate to all the shares held by the member of the Company.
9. 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 (as defined in the SFA), 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 (as defined in the SFA) 72 hours before the time appointed for holding the EGM as certified by The Central Depository (Pte) Limited to the Company.



