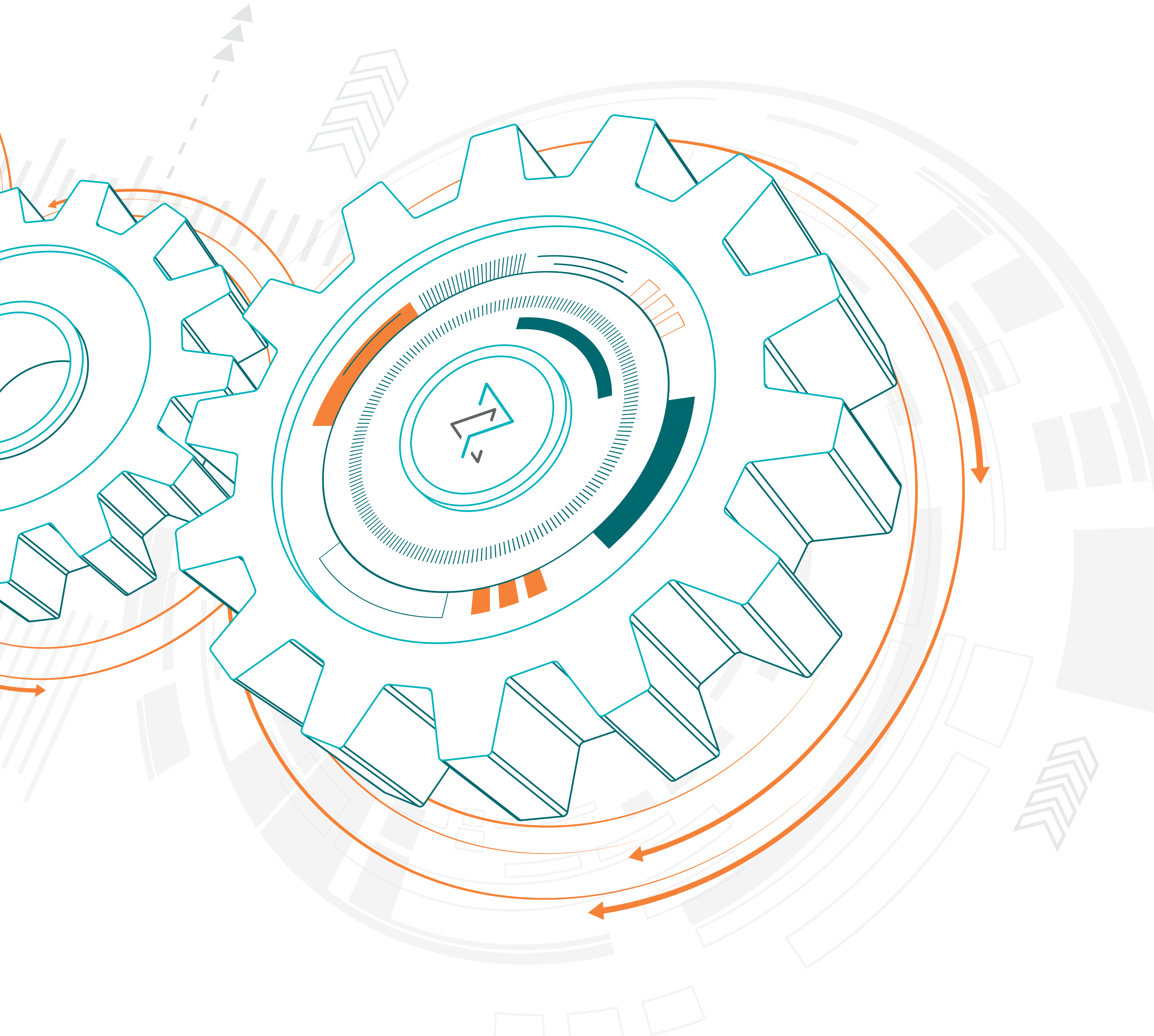
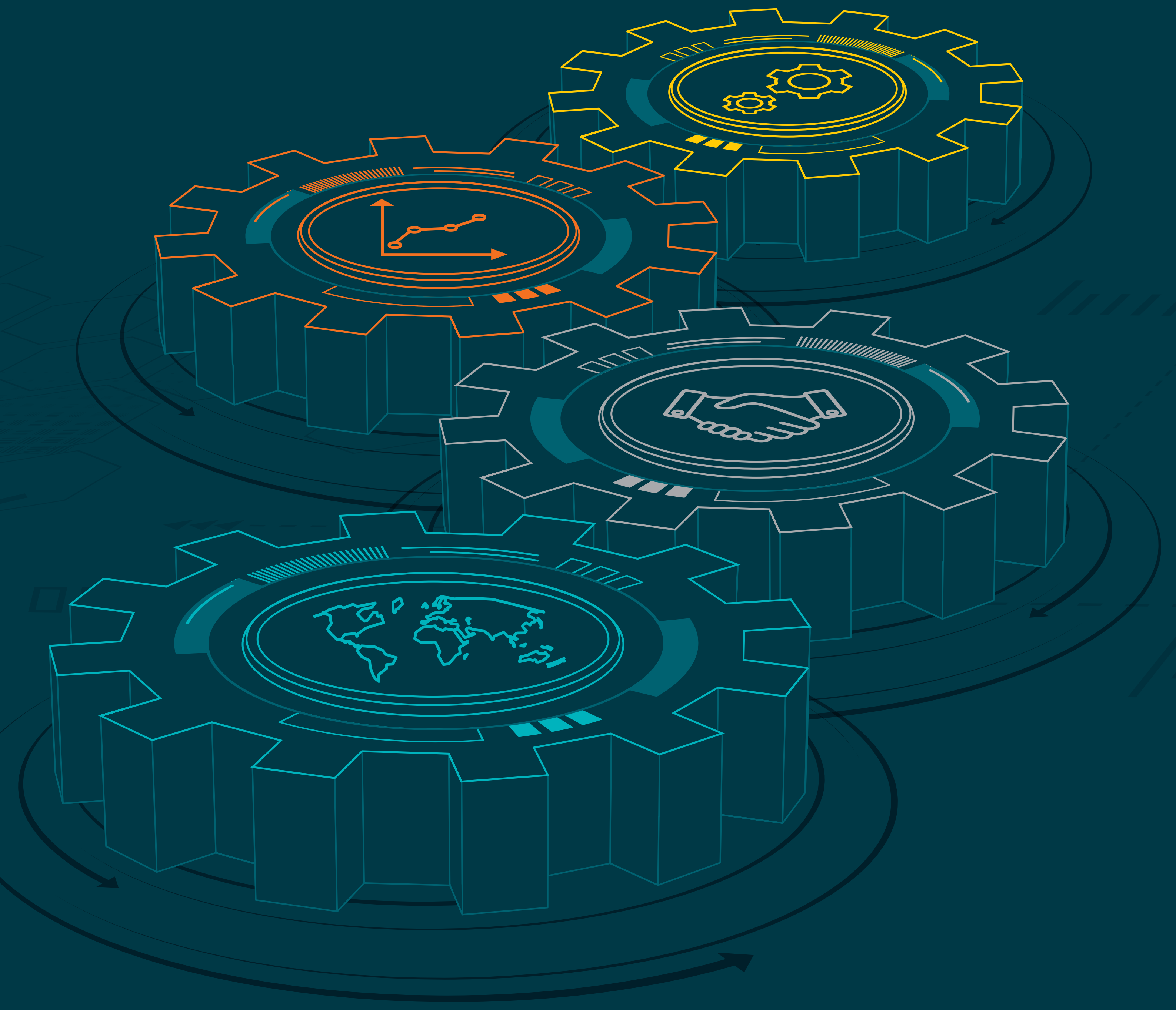
PROCURRI

GEARED FOR GROWTH

Annual Report 2018



ACHIEVING STRATEGY COMPLETE



The four gears illustrated represent our four strategies that have been instrumental in driving the Group's growth. With each interlocking gear revolving in perfect synchronicity, the mechanism powers the fifth and largest wheel – Procurri.

In the same vein, these four strategies have worked concurrently to reinforce our foundation and drive synergy between our two business segments, Lifecycle Services and IT Distribution. The outcome is our financial turnaround in 2018.

1

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

2

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

3

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

4

IMPROVING INTERNAL EFFICIENCIES & HARNESSING ECONOMIES OF SCALE

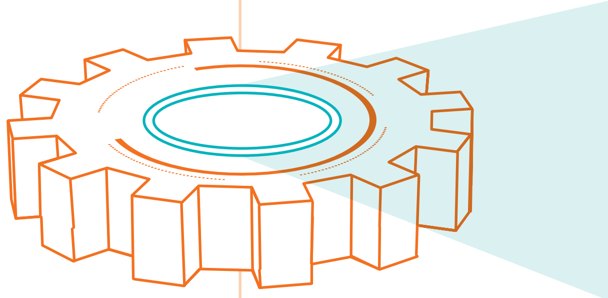
Continue rigorous cost control efforts and harness economies of scale from the improved centralised purchasing processes

CONTENTS

Discover more about
Procurri online
www.procurri.com

VISION

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



MISSION

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

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 enshrine ourselves with 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 our personal commitment to deliver the best results in every aspect, be it packing a server or managing a complex project. Our dedication is exemplified through our consistent quality of 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, built on trust, with our clients, partners and vendors. We believe that integrity and ethics are key in shaping a stellar reputation in the long run.

WHO WE ARE

Headquartered in Singapore, Procurri is a leading global independent provider of 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.

With a proven track record in solving data centre challenges across all major industries, coupled with an innovative 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.

- Coverage
- Our Offices
- Global Headquarters

REVENUE	GROSS PROFIT	EBITDA
S$220.2m	S$80.5m	S$19.7m

14

OFFICES

100+

COUNTRIES UNDER COVERAGE

400+

EMPLOYEES

NET PROFIT AFTER TAX

S$5.3m

TOTAL ASSETS

S$141.3m

SHAREHOLDERS' EQUITY

S$69.0m

OUR GROWTH JOURNEY

2009

October
Established ASVIDA Asia Pte. Ltd. ("ASVIDA Asia") in Singapore

2013

March
Incorporation of ASVIDA Corporation Pte. Ltd. in Singapore

April
Acquisition of Procurri LLC in the US

August
Renamed ASVIDA Corporation Pte. Ltd. as Procurri Corporation Pte. Ltd.

2014

April
Integration of ASVIDA Asia into Procurri Corporation Pte. Ltd.

May
Acquisition of Tinglobal Holdings Limited and its wholly-owned subsidiary, Tindirect Limited ("Tindirect") in the UK

June
Acquisition of Verity Solutions Sdn. Bhd. ("Verity") in Malaysia

2015

January
Incorporation of Procurri, S. de R.L. de C.V. in Monterrey, Mexico

February
Acquisition of Procurri Asia Pacific Pte. Ltd. in Singapore

March
Launch of global brand "Procurri" and rebranded Tindirect, Verity and ASVIDA Asia to Procurri UK, Procurri Malaysia and Procurri Singapore respectively

2016

March
Incorporation of Procurri (Beijing) Co., Ltd. in Beijing, the PRC

July
Listed Procurri Corporation Limited on the SGX-ST Main Board

November
Acquisition of EAF Supply Chain Holdings Limited and its wholly-owned subsidiary, EAF Supply Chain Limited in the UK

2017

January
Joint venture between Procurri LLC and Congruity LLC to form Rockland Congruity LLC in the US

April
Incorporation of Procurri India Private Limited in Banglore, India

2019

March
- Incorporation of Procurri GmbH in Germany
- Acquisition of balance 49% of Rockland Congruity LLC in the US, thereby becoming a wholly owned subsidiary

MESSAGE FROM THE CHAIRMAN & GLOBAL CEO

As Information Technology ("IT") becomes more strategic, more mission-critical, and more complex for businesses around the world, we are seeing deeper and wider opportunities for Procurri's solutions to deliver lower IT costs, longer service lifetimes, and better technology uptime to enterprises around the world.

Sean Murphy
Chairman and
Global Chief Executive Officer

Dear fellow shareholders,

We are pleased to have ended FY2018 with a record global revenue of S$220.2 million, up 21.1% from FY2017. Procurri generated S$5.3 million in earnings for the year FY2018, a marked shift from the S$2.7 million net loss a year ago (FY2017).

While we are satisfied with the financial results of the business, we're more pleased with Procurri's progress towards its long-term growth strategy. Our recent financial performance is the direct result of executing our four "Strategy Complete" pillars of deepening our brand credibility, broadening our solutions offering, expanding our markets and customers, and driving scale efficiencies and synergies into our business.

MESSAGE FROM THE CHAIRMAN & GLOBAL CEO

With the recent addition of renowned Southeast Asian investor Novo Tellus* as our largest shareholder, we have earned the validation and partnership with a long-term sector investor who has a proven track record of successful partnerships with management teams to grow companies.

I'd like to expand on each of these introductory thoughts to provide a clearer view of why we remain optimistic about Procurri's continued prospects.

OUR FINANCIAL RESULTS

This time last year, I reaffirmed our commitment to our growth strategy and noted that we expected to see the business inflect into profitability and growth in 2018. We have worked diligently to deliver these expectations and are pleased to note that while Procurri has delivered solid growth and improved profitability for 2018, we have also exited the year with a structurally better mix of business as envisioned by our strategy.

While overall revenue grew 21.1% in 2018 and crossed the S$200 million mark for the first time, the higher-margin Lifecycle Services business grew 57.7% to S$65.4 million whereas the IT Distribution business grew 10.3% to S$154.8 million. This positive shift in business mix was the result of our strategic focus evolution towards higher-margins and faster growing business segments, which resulted in gross margins expanding to 36.6% for the year.

OUR BUSINESS MODEL

To provide context for our recent financial performance, it may be helpful to summarise the business model that we have built globally over the last 6 years.

Our vision is to help businesses around the world maximise the productivity of their large and growing IT infrastructure. Our solutions have helped countless businesses around the world improve the return on their IT investments as follows:

Procurri delivers compelling value across the IT lifecycle

Our global solutions	**Hardware Resale** Procurri sells high-value, used/resold IT equipment.	**Third-Party Maintenance** Procurri provides IT maintenance services covering multiple brands (including equipment that is past OEM warranty period).
Purchase IT	**Lower IT cost** Customers save by purchasing fully-warrantied resale equipment rather than new OEM equipment.	**Lower IT cost** Customers save over buying an OEM contract. **IT vendor consolidation** Customers gain multi-brand support from a single vendor vs multiple providers.
Operate IT	**Lower operating cost** Resold equipment is cheaper for operating replacements/repairs. **Longer operating life** Procurri provides warrantied replacements for equipment that has been discontinued by OEMs.	**Lower operating cost** Customers save over buying OEM contract. **Longer operating life** Procurri can maintain equipment long after OEM warranties are discontinued.
Upgrade/ Retire IT	**Lower migration risk** Enterprises use Procurri's resold equipment to extend legacy IT investments, providing added time to undertake complex upgrades and migrations (e.g. multi-year cloud migrations).	**Lower migration risk** Procurri's maintenance contracts: (a) extend legacy IT lifespan to support long migrations; and (b) provide flexible multi-brand support options for IT transitions (e.g. duplicate infrastructure, data centre consolidations, etc).

* Investor group with co-investor A.C.T. Holdings

IT Asset Disposition ("ITAD") Procurri removes/ wipes data from, and resells/recycles used IT equipment.	**Migration Services**
	Lower installation cost & risk Procurri provides services to help customers migrate critical enterprise data into new/upgraded IT equipment.
Lower operating cost & risk Procurri certifies deletion of critical enterprise data for equipment discarded during operations (e.g. for PDPA, HIPAA, PCI, GDPR and other data regulations).	
Investment value recovery Customers receive salvage value for retired/ discarded equipment. **Lower migration risk** Certified deletion of business data from retired equipment.	**Lower migration cost & risk** Procurri provides services to help customers with data centre consolidations, cloud migrations, and IT upgrades.

From the perspective of our customers, we provide compelling value across the IT lifecycle to help reduce costs and risks while increasing the operating lifespan for IT investments.

From the perspective of our business model, our lines of business work together to yield significant **synergies and economies of scale** as we grow. For example:

- Our IT Resale business provides us with a real time view of supply and demand for used IT equipment worldwide, which helps us effectively price maintenance contracts (we know what equipment is failing around the world) and asset disposition contracts (we know the resale value of disposed equipment).
- As our business grows globally, we can expand the pool of equipment used to support our maintenance business, increasing the effectiveness of our inventory. Similarly, we can aggregate demand worldwide for our reverse logistics and resale businesses, realising lower costs through economies of scale.
- Our strategic resale inventory can be used to support migration services via short-term equipment leases to support data centre consolidations and/or cloud migrations.
- Our asset disposition business provides a large flow of incoming equipment which helps supply our resale and maintenance businesses with versatile inventory.

The final component of our business model is our approach of addressing the market through channel partners. For over 50 years now, a global ecosystem of systems integrators, consultants, resellers and distributors ("channels") have played a vital role in providing an exorbitant amount of IT equipment and services to businesses around the world.

Today our solutions address an exponentially growing market for enterprise servers, storage and networking infrastructure. We access this large market by providing our solutions through established global channels rather than selling directly to customers. This approach provides significant benefits and competitive advantages to Procurri. A single channel partner may have longstanding relationships with hundreds or thousands of customers around the world, allowing Procurri access to a broad end-user base by supporting a single strategic relationship. Our solutions are complementary to channel offerings, allowing our partners to broaden and deepen their relationships to their customers by offering more services across their customers' lifecycle. By focusing on channel relationships rather than selling directly to enterprise customers, Procurri also avoids situations of conflict where it is selling directly to the same customer as one of our channel partners.

MESSAGE FROM THE CHAIRMAN & GLOBAL CEO

We have spent over 6 years building our global channel partnerships and our long term efforts have begun paying off as our channels have brought us efficient access to significant customer (end-user) accounts and continues to grow our market access every day.

OUR STRATEGY

We have previously described how Procurri's Strategy Complete approach helps us execute against the large global market opportunity and business model described above. In FY2018, we continued to progress the four pillars of our Strategy Complete model:

- We *deepened our brand credibility* by ever-growing our global base of channel partners. While growing our partner community, we have also sought to broaden each partner relationship by selling a wider mix of solutions into our channel base.
- We *expanded our markets and customers*, serving more and more customers (end-users) globally today. While we continue to see growth in our core US and Europe markets, we will increasingly expand into the growing Asia market where a combination of strong data centre spending, high suitability for our cost-oriented solutions, and our strategic location in Singapore provides us with competitive strength in the region.
- We *drove scale efficiencies* by establishing global centres of excellence for our high margin solutions. Our Lifecycle Services centre in Massachusetts and our ITAD centre in California provide skilled leadership and scale economies across our global business network. Our business model provides strong synergies and scale economies as we grow and we look forward to reporting further progress on realising financial benefits as we grow the integration of our global operations.
- We *improved our business mix* by shifting our portfolio towards higher-margins and higher-growth lifecycle, migration, maintenance and asset disposition solutions as described in our financial results above. To further strengthen our Lifecycle Services business and to solidify our continued growth in Lifecycle Services, which commands higher profit margins, we were pleased to announce in November 2018 that we would acquire full control of our Rockland Congruity LLC joint venture ("**Rockland**") for US$22 million. Our involvement in Rockland since its establishment in January 2017 has provided us with deep insight into the potential of the business and its market. The acquisition of Rockland not only allows us to consolidate the full financial benefits of the business, but also solidifies the commercial reach of Procurri's offerings into the attractive enterprise storage market. Procurri's Shareholders approved this acquisition with unanimous support at an extraordinary general meeting on 28 February 2019.

With our business inflecting into growth and profitability, we expect to increase our focus on growing our investor relations and deepening our base of long-term investors. We believe Procurri's business model is now supported by clear financial results, providing an opportune time for us to build long-term engagement with the investment community.

OUR NEW INVESTOR

We were pleased to announce last month that Southeast Asia private equity firm Novo Tellus has become the largest investor in Procurri. Novo Tellus focuses exclusively on long-term growth investments in technology and industrial businesses in Southeast Asia, and has established a top-tier record of partnering with management teams to create significant equity growth. Their focus on backing businesses with global market reach and partnering closely with management teams to create fundamental growth aligns well with our strategic vision, and we look forward to the long term contributions of Novo Tellus to our business.

We note that Novo Tellus has invested in public equity alongside all of our shareholders, and we see this as a signal of alignment and confidence in Procurri's prospects.

APPRECIATION

We are grateful to our shareholders, customers and business partners for your long term support of our strategy and our business model. Our patient approach to building our global vision and executing our long term strategy has begun to pay off, and we look forward to increasing our investor engagement and reporting further progress as we continue to execute against our large global market opportunity.

I would especially like to thank all our employees at Procurri for their dedication and their hard work alongside us as we grow our business together.

Sean Murphy
Chairman and Global CEO

INDUSTRY TRENDS

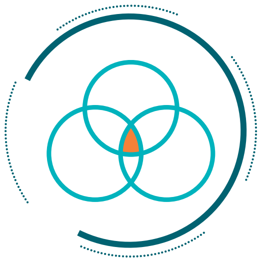
Increasing acceptance of the secondary IT equipment market with more Original Equipment Manufacturers ("OEM") endorsing the sale of certified refurbished or excess equipment

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

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

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

Cloud migration fuelling demand for third-party maintenance services for IT hardware during the transition to the cloud and driving the need for data sanitisation and hardware disposal services as legacy IT assets are rendered obsolete by cloud computing.



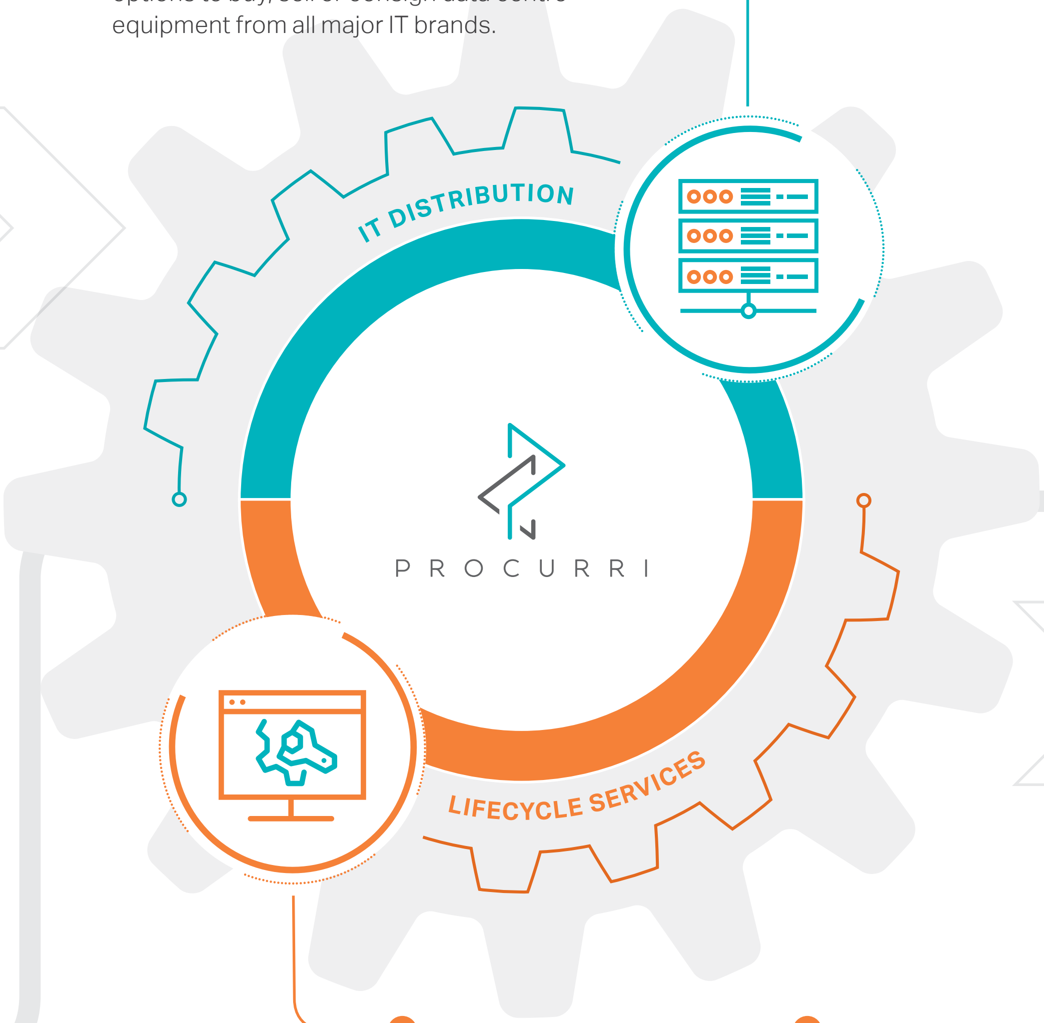
Industry consolidation caused by change in **Traditional intermediary roles of OEMs, Value-Added Resellers and System Integrators**

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

WHAT WE DO

Hardware Resale

Adopting a vendor-agnostic approach, whether it is new, resale, preowned, 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.



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.

IT Asset Disposition (“ITAD”) & Data Centre Services

A holistic solution for all your data centre needs,
Tapping on a holistic suite of services that cover assessment, verification, recovery, refurbishment and reconfiguration, ITAD enables clients the options to prolong equipment lifespan through reuse, remarket assets via Hardware Resale, or to retire equipment with certified data sanitisation and e-waste disposal services.

Offering channel partners:

- **Quality Assurance**
- **Cost savings**
- **Global coverage**
- **Multi-platform expertise**

A preferred partner to global OEMs, Value-Added Resellers, System Integrators, Cloud Services Providers & Managed Services Providers

Partnering with channel partners provide holistic solutions

Serving global MNCs and enterprises across all major industries:

Healthcare	Manufacturing
Security	Banking & Finance
Telecommunications	Information Technology

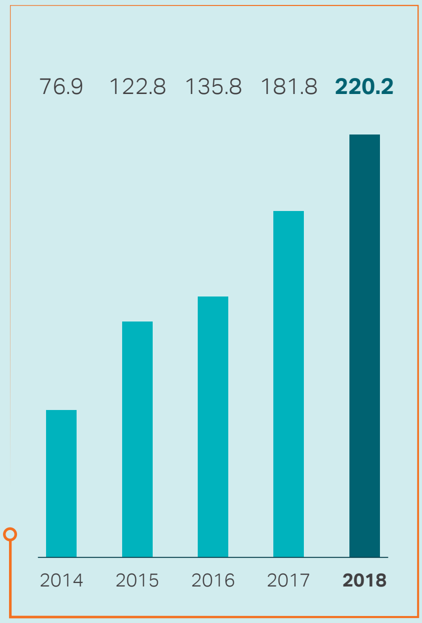
5-YEAR FINANCIAL HIGHLIGHTS

Financial year ended 31 December	2018	2017	2016	2015	2014
Income Statement (S$'000)					
Revenue	**220,236**	181,822	135,750	122,814	76,901
Gross Profit	**80,503**	58,968	46,037	41,622	24,368
EBITDA	**19,737**	6,914	12,776	13,571	6,820
Profit before Tax	**10,077**	(2,276)	7,614	9,997	4,008
Net Profit after Tax	**5,337**	(2,749)	5,139	8,772	3,266
Balance Sheet (S$'000)					
Inventories	**21,816**	21,424	15,641	11,168	7,645
Total Assets	**141,326**	140,571	117,081	81,367	83,440
Total Loans & Borrowings	**14,087**	21,414	18,087	18,516	16,636
Total Liabilities	**72,285**	76,729	49,999	47,043	52,656
Total Equity	**69,041**	63,842	67,082	34,324	30,784
Cash Flow (S$'000)					
Cash Flows from Operating Activities	**11,037**	13,381	(624)	4,963	1,683
Cash Flows from Investing Activities	**(7,004)**	(26,254)	(861)	(8,581)	(21,088)
Cash Flows from Financing Activities	**(9,061)**	2,274	23,654	1,665	23,502
Per Share Information (Singapore Cents)*					
Earnings per Share – Basic	**1.89**	(0.98)	2.12	4.34	2.33
Net Tangible Asset per Share	**19.74**	17.73	18.84	8.25	7.96
Net Assets Value per Share	**24.25**	22.63	23.96	16.26	15.56
Number of Shares ('000)	**284,689**	282,057	280,000	211,120	197,860
Ratios					
Debt-to-Equity Ratio	**(0.06)**	0.05	(0.18)	0.40	0.32
Current Ratio	**1.57**	1.45	2.09	1.29	1.23

** As at 31 December of the respective years*

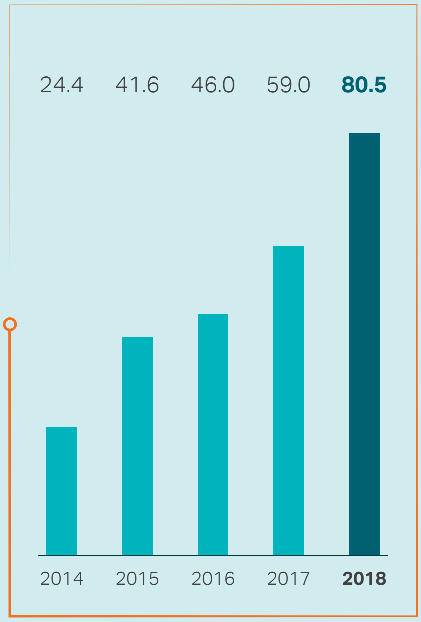
REVENUE
(S$million)

+21.1%



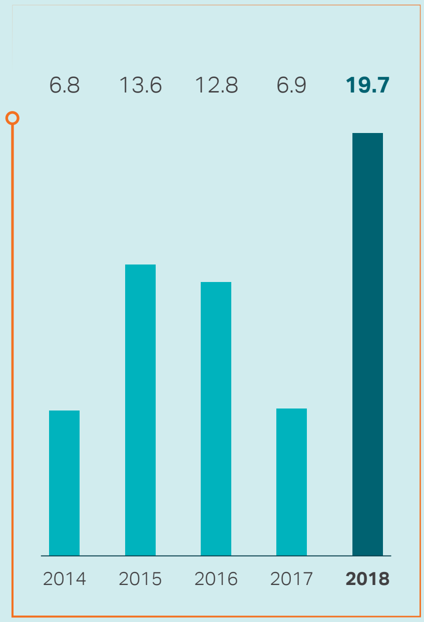
GROSS PROFIT
(S$million)

+36.5%



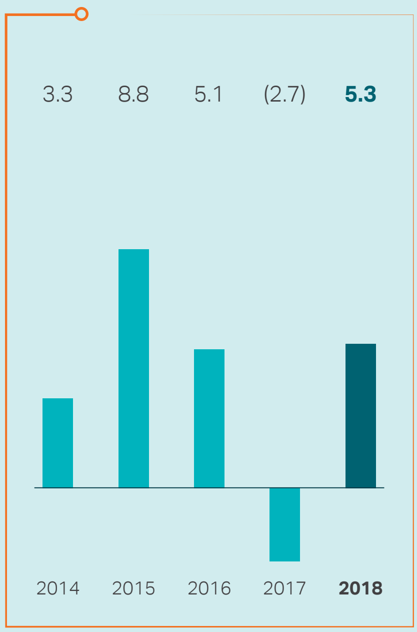
EBITDA
(S$million)

+185.5%



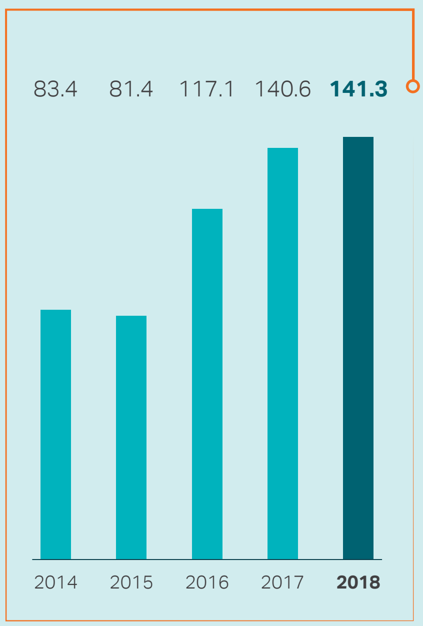
NET PROFIT AFTER TAX
(S$million)

N.M.



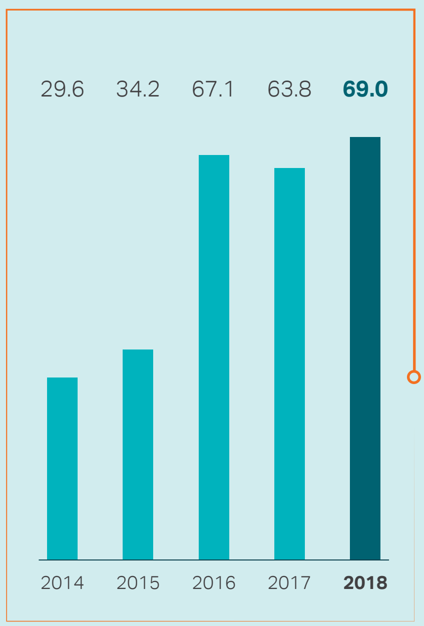
TOTAL ASSETS
(S$million)

+0.5%



SHAREHOLDERS' EQUITY
(S$million)

+8.1%



FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

Revenue, gross profit and pre-tax earnings all reached record highs in FY2018 on the back of strong demand for IT lifecycle services and data centre equipment.

Revenue went above the S$200 million mark for the first time, rising 21.1% to S$220.2 million in FY2018 from S$181.8 million in FY2017. Revenue from the Lifecycle Services business grew 57.7% to S$65.4 million, while the IT Distribution business contributed S$154.8 million in revenue, up 10.3%.

Geographically, the region with the strongest growth was the Americas, where revenue increased 47.6% to S$121.0 million, accounting for 54.9% of the Group's total revenue. This was followed by the Asia-Pacific, where revenue went up 7.7% to S$36.1 million, comprising contributions from Singapore and Others. The Group's operations in Europe, Middle East and Africa ("EMEA") bucked the uptrend, with revenue slipping 4.8% to S$63.1 million.

With growth in overall revenue outpacing an increase in cost of sales, the Group achieved a record gross profit of S$80.5 million, of which nearly half came from the Lifecycle Services business. Overall gross profit margin rose to 36.6% from 32.4% as the Group scaled up its in-house maintenance capabilities.

The improvement in revenue and gross profit margin offset higher selling and administrative expenses, giving rise to a record pre-tax profit of S$10.1 million in FY2018 compared with a pre-tax loss of S$2.3 million in FY2017. This in turn yielded a net profit of S$5.3 million, reversing from a loss of S$2.7 million in FY2017.

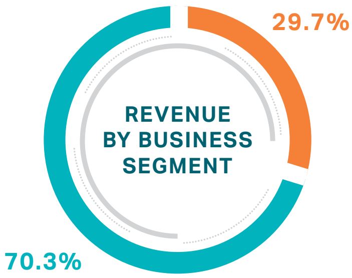
Administrative expenses edged up 4.4% to S$50.0 million due to maiden full-year expenses of S$2.3 million from US-based Rockland Congruity. Staff costs, excluding those from Rockland Congruity, were flat at S$23.8 million.

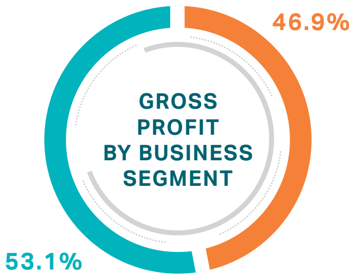
IT DISTRIBUTION

With the 10.3% increase in revenue, the IT Distribution business generated a gross profit of S$42.8 million in FY2018. This marked a 10.8% rise from S$38.6 million in FY2017. Gross profit margin inched up to 27.6% from 27.5% as a number of more lucrative projects were recognised during the year.

LIFECYCLE SERVICES

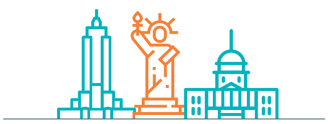
Gross profit from Lifecycle Services nearly doubled from S$20.4 million to S$37.7 million, accounting for 46.9% of total gross profit. This puts the Group's target of having Lifecycle Services make up half of its overall gross profit by 2022 well within reach. Gross profit margin rose to 57.7% from 49.1% as the Group carried out more maintenance activities in-house and outsourced less of such work to third parties.





IT Distribution — Lifecycle Services

REVENUE BY GEOGRAPHY



Americas **54.9%**

EMEA **28.7%**

Singapore **14.3%**

Others* **2.1%**

* Others comprise rest of Asia-Pacific

OPERATIONS REVIEW

ASIA-PACIFIC (APAC)

Our focus in Asia Pacific ("APAC") in FY2018 was on streamlining our entities in the region to achieve greater synergy and operational efficiency while expanding our sales teams. Specifically, we made use of enterprise resource planning software to improve workflow and synchronise internal processes. We also set up a regional desk to better manage requests for proposals and business leads, and our reporting structure within APAC was revamped.

For FY2018, our team in APAC turned in a credible performance. Revenue from this region increased 7.7% to S$36.1 million from S$33.5 million for the previous year, with Singapore accounting for the lion's share of contributions.

Lifecycle Services

Our FY2018 revenue from Lifecycle Services came in at S$10.5 million, comparable to the S$10.7 million in FY2017. Among the notable deals secured in FY2018 was one to install and maintain machines for a global leader in digital transformation. The geographical scope of this project involved Hong Kong, Singapore, Thailand, Malaysia and three cities in China, namely Beijing, Shanghai and Zhuhai.

In India, one of our key objectives in FY2018 was to strengthen our recurring maintenance and equipment rental businesses. This enabled us to win our largest-ever hardware maintenance contract from an international telecommunications services company. For this project, we will provide nationwide support for more than 1,400 IT assets across 57 sites over a 10-month period.

Together with a channel partner, we also secured relocation jobs in FY2018 for a local bank in Singapore and for a global foreign bank.

IT Distribution

Revenue from IT Distribution rose 12.3% to S$25.6 million in FY2018 from S$22.8 million in FY2017. A key project in FY2018 came from a shared workspace company. Our Hong Kong team was able to convert a contract secured from this company in FY2017 into a strategic account for us to provide hardware and maintenance support across Vietnam, the Philippines, Malaysia, Thailand, Indonesia, Singapore, Hong Kong and Japan.

Our APAC team also landed a significant contract to decommission a number of data centres. The project involved providing ITAD and relocation services for more than 1,000 machines, which we subsequently sold to a large asset recovery company for a tidy profit.

In FY2018, we also focused on building stronger relationships with original equipment manufacturers and value-added resellers. This paved the way for us to establish relationships with other partners in the value chain to supply hardware for maintenance projects.

REVENUE
(S$million)

S$**36.1**m

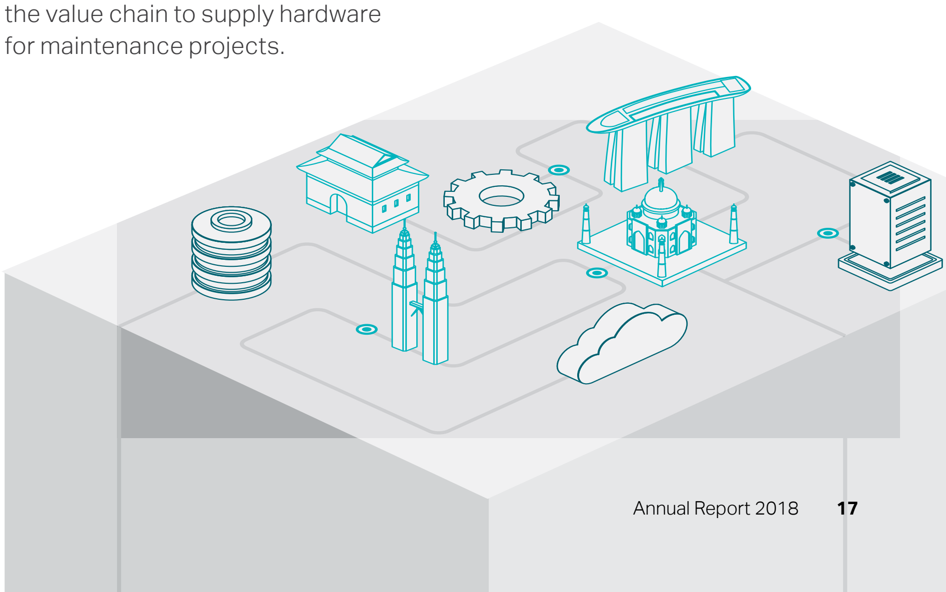
+7.7%
2017: S$33.5m

Outlook

Having established strong footholds in the Americas and EMEA over the past few years, we intend to spend more time and resources in APAC in 2019 and the years ahead to better serve customers in this region.

To this end, we will tap the know-how and network of our new shareholder, Novo Tellus Capital Partners, to penetrate more markets in the region and deepen our reach into existing markets. Singapore-based Novo Tellus is a private equity fund that invests in long-term growth investments in technology and industrial businesses in Southeast Asia.

Singapore, home to our global headquarters, will remain the focal point from where most of our growth initiatives and plans for APAC will originate. The country's pool of IT talent, pro-business regulatory framework and reliable service delivery will be beneficial for our business in this region.



EUROPE, MIDDLE EAST & AFRICA (EMEA)

Our FY2018 performance in EMEA was encouraging even though certain changes at two leading IT brands affected our hardware sales. Overall, EMEA was the second-largest contributor to our total FY2018 revenue after the Americas. Revenue from EMEA slipped 4.8% to S$63.1 million from $66.3 million in FY2017 as a stellar performance by our Lifecycle Services business was offset by lower contributions from IT Distribution.

Lifecycle Services

Our Lifecycle Services business generated revenue of S$11.3 million in FY2018, up 27.8% from S$8.8 million in FY2017. In particular, our maintenance services segment saw a significant increase in revenue as it closed more than 40 contracts a month on average.

Most of these contracts were recurrent deals closed through our strategic channel partners, which include systems integrators, value-added resellers, as well as managed service providers and cloud service providers. For example, global IT integration service provider Bell Integration delivered a refurbishment along with hands and eyes support for a National Building Society with over 700 retail outlets throughout the UK and Northern Ireland. The 23-month deal is worth approximately £1 million.

One notable deal in FY2018 was a new maintenance contract with a British pharmaceutical multinational corporation, which we first started servicing in 2016. Our success in this segment reaffirms the reliability of our maintenance services and the strength of our global footprint.

Our ITAD services and data centre-related services, such as the purchase of old equipment, were also well received with more companies hiring us to handle their existing hardware as they migrated their data systems to the cloud.

We also landed a key strategic agreement with cloud computing firm Nutanix as its official preferred global partner to offer its customers ITAD services and asset buyback options for their retiring equipment under Nutanix's Financial Solutions programme. Our largest ITAD project in FY2018 was from a US-based data protection firm, which engaged us to help migrate its international data centres to the cloud.

In seeking to expand our infrastructure-as-a-service platform, we opened so-called forward stocking locations in Germany to store spare parts for our customers. We charge a monthly fee for storage and a spot price when spare parts are consumed. We generated about S$140,000 a month in fees in FY2018, up from about S$72,000 a month when we first started offering these services.

Even as we grew the business, we also made a conscious effort to keep operating costs in check. One area of focus in FY2018 was to complete the final phase of bringing together the administrative functions of our UK team and IT spare parts distributor EAF Supply Chain Holdings Limited ("EAF"), which we acquired in 2016.

REVENUE
(S$million)

S$ **63.1** m

-4.8%
2017: S$66.3m

IT Distribution

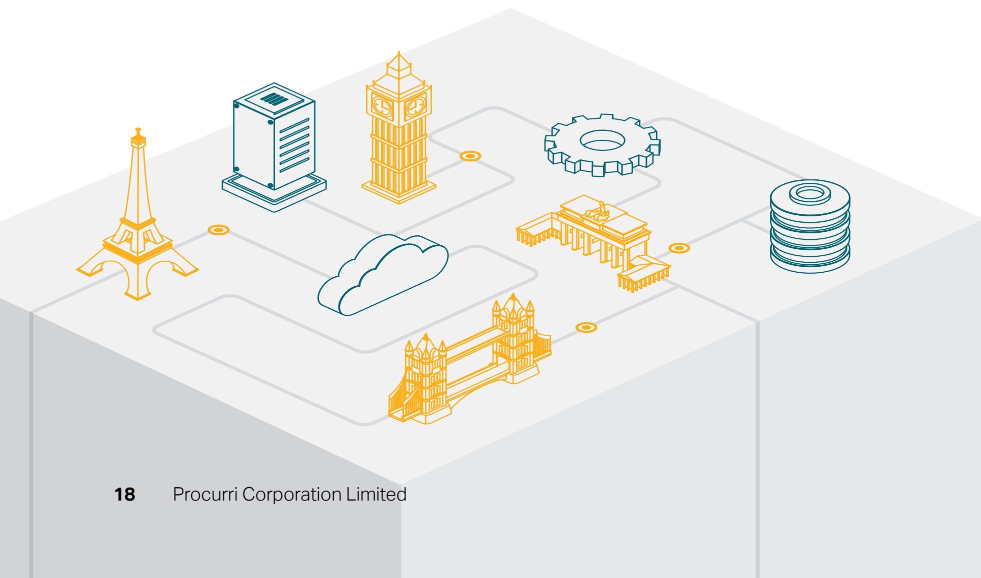
Operational shifts within two of our major OEM partners impacted our IT Distribution business in EMEA in FY2018. This pushed revenue from this segment down to S$51.8 million from S$57.5 million in FY2017. We continue to work closely with both OEMs to iron out certain issues and prevent any major disruption to our business agreements.

To mitigate the impact of these developments, we stepped up efforts to secure more hardware deals through our channel partners, including systems integrators and value-added resellers. Through these engagements, we grew our hardware portfolio.

We also actively worked with channel partners of Hewlett Packard Enterprises ("HPE") in FY2018 to drive sales. In addition, we undertook a joint marketing campaign with HPE. These efforts enabled us to grow our revenue from HPE's authorized parts provider programme to £3.3 million in FY2018 from £2.5 million in FY2017.

Outlook

In seeking to further expand our reach in Europe, we have set up a sales office in Germany in early 2019 to market our lifecycle and IT distribution services. Besides broadening our coverage in Europe, the German office will also serve to cushion us from any fallout from Britain's impending departure from the European Union.



THE AMERICAS

Our operations in the Americas turned in a strong performance in FY2018, generating revenue of S$121.0 million, up 47.6% from S$81.9 million in FY2017. The Americas accounted for 54.9% of our overall revenue in FY2018, up from 45.1% in FY2017. Gross profit from this region also rose accordingly, with higher contributions from the higher-margin Lifecycle Services business and its nascent ITAD business.

Lifecycle Services

Revenue from Lifecycle Services grew close to one-fold, increasing to S$43.7 million from S$21.9 million in 2017. Similarly, gross profits grew significantly as well in 2018, due to higher profit margins.

With our channel-focused strategy, we further developed our portfolio with strategic partners to grow the Lifecycle Services business in FY2018. One such partner is a large IT solutions reseller, from which we clinched several new contracts during the year. Together with this partner, we also expanded existing accounts, including one with a global apparels company whose pipeline grew in 2018.

In FY2018, we further deepened our engagement with a global data management company that has been using our services since 2017. We also won a significant storage maintenance contract from a major OEM and landed a job to consolidate two data centres, which required us to refurbish 1,500 assets and relocate them to a new site.

During the year, we also helped a software MNC decommission its global hyper-converged environment and migrate data to its new Azure cloud platform. On top of providing multi-vendor hardware rentals and maintenance to aid the transition, we were also involved in ITAD for 5,000 retired assets across seven locations globally and recovered approximately S$2.0 million in hardware value through hardware resale.

We also closed a multi-million-dollar deal with a global enterprise software company to decommission a SuperMicro environment with over 10,000 assets across three locations in the US.

Along with the strategic partnership forged by our European counterparts, we also offered ITAD services and asset buyback options to customers of Nutanix. We expect more deals with Nutanix in 2019.

Rockland Congruity ("Rockland"), our US joint venture, also made strides in nurturing its channel relationship with a global IT distributor. This led to an increase of US$2.7 million in revenue from the account.

IT Distribution

On the IT Distribution front, revenue grew by 28.9% to S$77.3 million in FY2018 from S$60.0 million in FY2017.

We also made the effort to cross-sell and even upsell our hardware in FY2018. Leveraging the hardware expertise of Procurri LLC, our wholly owned US subsidiary, Rockland won a global integrator account to supply refurbished Vblock equipment. This was subsequently expanded to include the provision of lifecycle services.

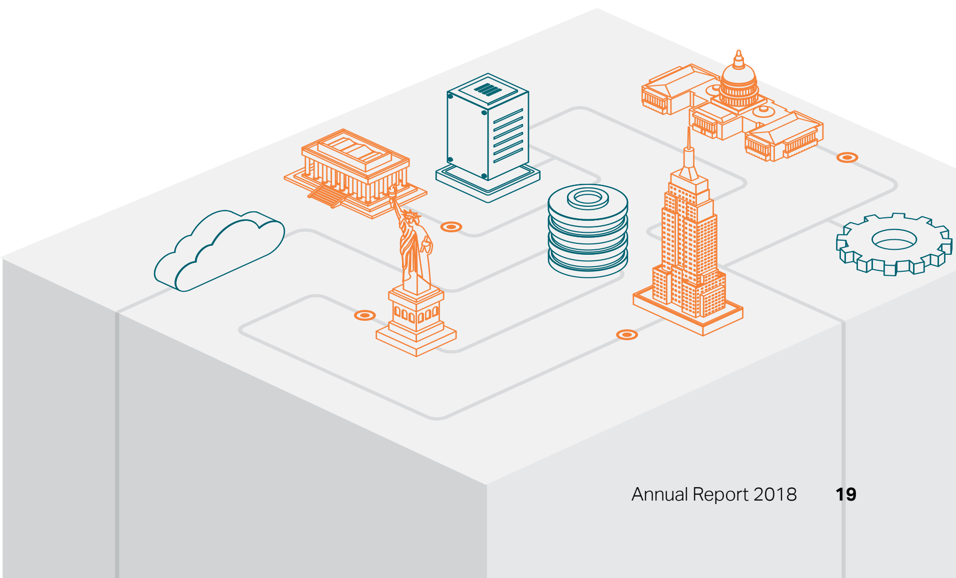
REVENUE (S$million)
S$ **121.0**m
+47.6%
2017: S$81.9m

In early 2019, we inked an exclusive partnership with PureWrx and Juniper Networks under the latter's Certified Pre-owned Programme in the US. With this deal, we will offer certified pre-owned routers, switches and security products under Juniper Networks' product lines. All these products come with a Juniper warranty and are eligible for support.

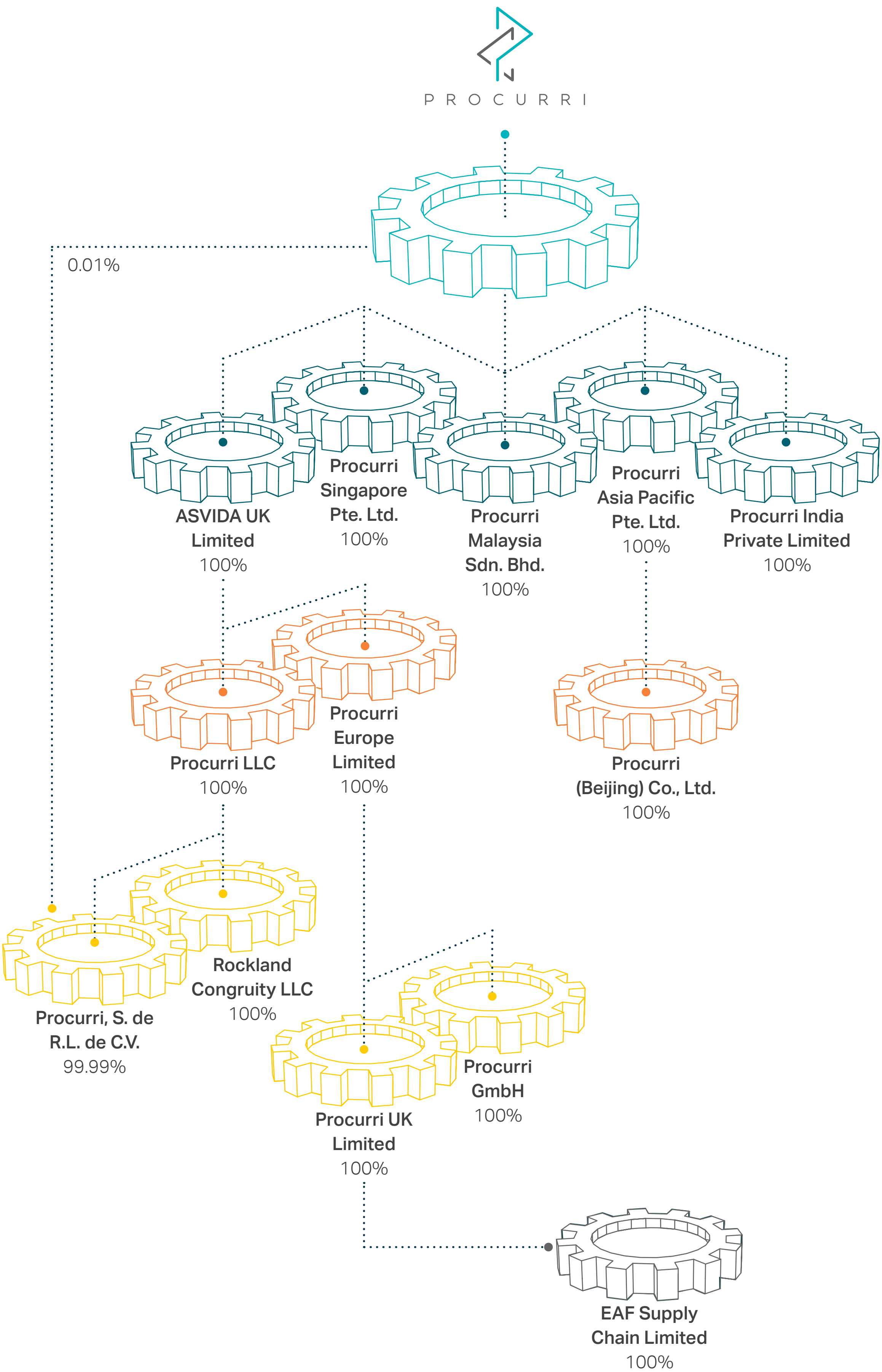
Outlook

To better support growth in the Americas, we expanded our sales office in Atlanta. We also invested in a new engineering facility to handle same-day inbound and outbound hardware delivery, as part of ongoing efforts to boost productivity and efficiency.

With Procurri shareholders giving us their support in February 2019 to acquire full control of Rockland, we expect this new subsidiary to do even better from hereon. As part of the integration process, we developed a portal to share hardware and parts inventories between Rockland and Procurri LLC. This will provide sales teams from both sides immediate access to our combined pool of inventory in the Americas.



GROUP STRUCTURE



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 30 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.

Ng Loh Ken Peter
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.

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 Chief Executive Officer of SooChow CSSD Capital Markets (Asia) Pte. Ltd. Prior to joining SooChow CSSD Capital Markets (Asia) Pte. Ltd., 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.

SENIOR MANAGEMENT TEAM

1 2

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.

3

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 Fellow Chartered Accountant of Singapore and a Chartered Financial Analyst.

4

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.

5

Matthew Trial

Head of Asia-Pacific

Mr Matthew Trial joined Procurri in December 2016 as Chief Operating Officer for Procurri LLC and was appointed as our Head of Asia-Pacific in July 2018. He oversees our Group's operations in the Asia-Pacific region. A Certified Public Accountant, Mr Trial also served as Procurri LLC's Financial Controller between 2013 and 2015. He previously headed operations at a NASDAQ-listed hospitality software technology company.

Mr Trial holds a Master of Business Administration from the Georgia State University. He graduated from Berry College with a Bachelor of Accountancy.

6

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.

SUSTAINABILITY

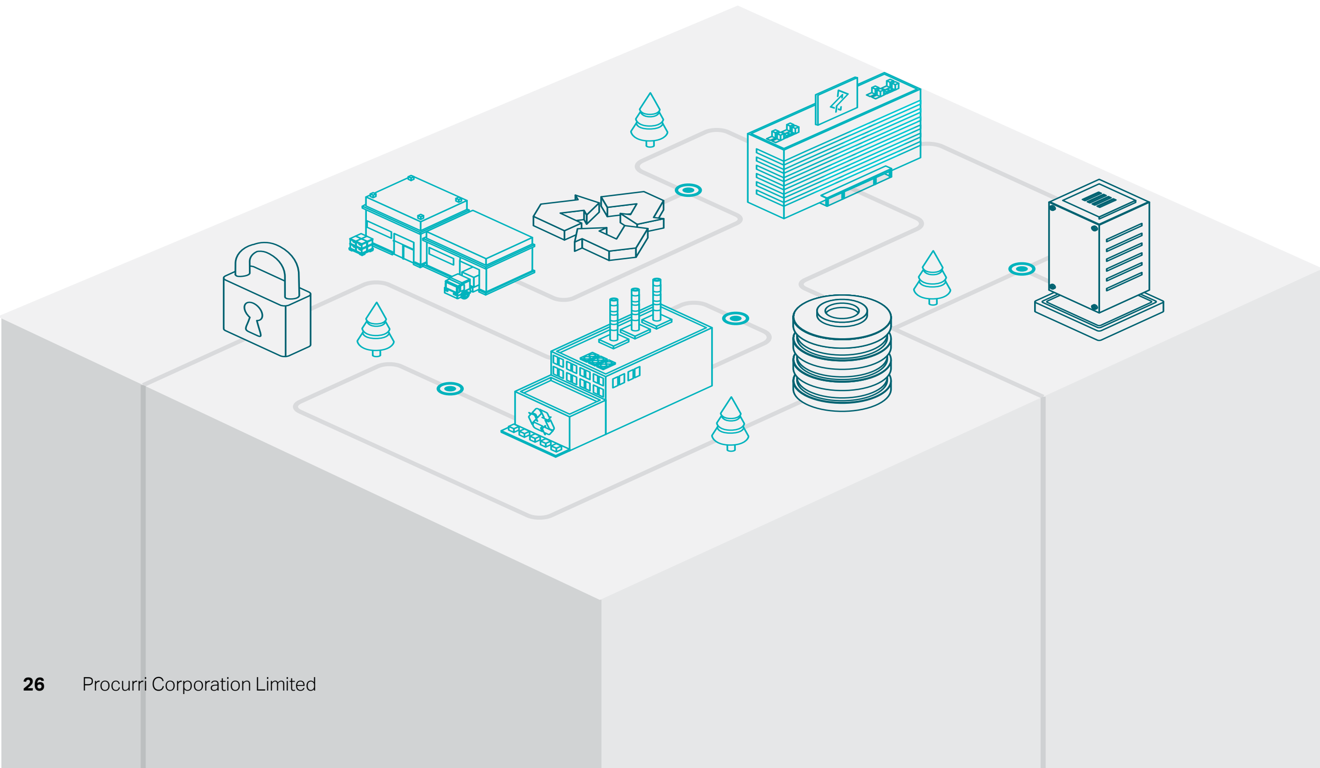
As a leading global player in the lifecycle and enterprise hardware industry, Procurri is aware of the importance of good corporate citizenship.

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 second standalone Sustainability Report 2018 later this year as a soft copy on our corporate website. This complements our going green efforts along with the electronic dissemination of our Annual Report 2018 and accompanying appendix to shareholders via our corporate website.

Within the Sustainability Report, we will be disclosing our policies, practices and performance for the identified material Environmental, Social and Governance ("ESG") factors arising from our operations. We continue to work towards strengthening our responsible business strategy and becoming 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.



PROCURRI'S 2018 GROUP SUSTAINABILITY PERFORMANCE[1]

LIFECYCLE MANAGEMENT OF EQUIPMENT

Number of equipment and component pieces made available for reuse

over **400,000** items

Percentage of waste recycled

44.6%

ENVIRONMENTAL FOOTPRINT OF SITE

Total greenhouse gas emissions[2]

1,063 tonnes of carbon dioxide equivalent

Total water withdrawn

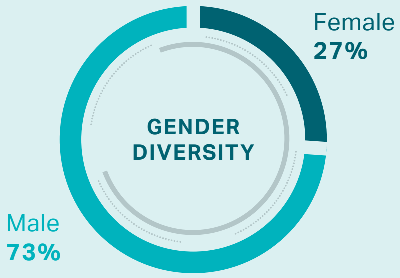
3,534 m^3

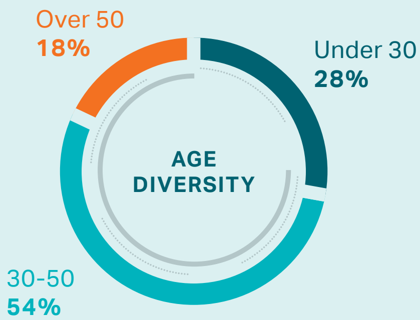
RECRUITING AND MANAGING A GLOBAL, DIVERSIFIED WORKFORCE

Employee training[3]

10.2 hours per employee on average

Employee diversity





DATA PRIVACY AND DATA SECURITY

Zero

Number of data security breaches

Zero

Legal fines and settlements paid associated with customer privacy

[1] Data includes figures from Singapore, UK, and USA operations
[2] Includes Scope 1, Scope 2 and Scope 3 greenhouse gas emissions. Scope 2 figures are location-based for Singapore and USA and market-based for UK.
[3] Currently not all sites collect data on number of training hours per employee; therefore only the UK data is included.

OUR OFFICES

APAC

SINGAPORE
Global Headquarters
29 Tai Seng Avenue
#02-01 Natural Cool Lifestyle Hub
Singapore 534119
T: +65 6486 1300
enquiry.sg@procurri.com

KUALA LUMPUR
Unit L3-2, 3rd Floor Infinite Centre
No. 1 Jalan 13/6
46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T: +60 3 7958 8829
enquiry.my@procurri.com

BEIJING
Level 4 Unit A07, Borui Plaza
No. 26 North Road of East 3rd Ring
Chaoyang District, Beijing 100026
China
T: +86 10 8592 5347
enquiry.cn@procurri.com

BANGALORE
1st Floor, Tower D, RMZ Infinity
Municipal No. 3, Old Madras Road
Bangalore 560016, India
T: +91 80 6743 1157
enquiry.in@procurri.com

AMERICAS

ATLANTA
5825 Peachtree Corners East
Norcross, Georgia 30092, US
T: +1 770 817 9092
enquiry.us@procurri.com

CHICAGO
73W Monroe Street, Suite 207
Chicago, Illinois 60603, US
T: +1 630 589 0534
enquiry.us@procurri.com

MARYLAND
100 West Road, Suite 300
Towson, Maryland 21204, US
T: +1 410 616 0671
enquiry.us@procurri.com

BOSTON
56 Pembroke Woods Drive
Pembroke, Massachusetts 02359,
US
T: +1 781 829 0140
leads@congruity.com

MONTERREY
Blvd. Diaz Ordaz #130
Piso 10 Col. Rincón de Santa María
64650 Monterrey, Nuevo León
Mexico
T: +52 81 8851 8227
enquiry.mx@procurri.com

EMEA

CIRENCESTER
Bankside Park
15 Love Lane, Cirencester
Gloucestershire, GL7 1YG, UK
T: +44 1285 642 222
enquiry.uk@procurri.com

WARWICK
Lake View House, Wilton Drive
Warwick, CV34 6RG, UK
T: +44 1926 679 556
enquiry.uk@procurri.com

WARRINGTON
Unit 1 Axis, Leacroft Road
Birchwood
Warrington, Cheshire, WA3 6PJ,
UK
T: +44 1925 251 700
ukwebenquiry@procurri.com

WOKINGHAM
Cheney House
Oaklands Business Centre
Oaklands Park, Wokingham
Berkshire, RG41 2FD, UK
T: +44 118 912 0000
ukwebenquiry@procurri.com

NOTTINGHAM
Strelley Hall, Nottingham
Nottinghamshire, NG8 6PE, UK
T: +44 115 896 3969
ukwebenquiry@procurri.com

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.

On 6 August 2018, the Monetary Authority of Singapore ("MAS") issued a revised Code of Corporate Governance 2018 ("**2018 Code**") and accompanying practice guidance ("**Practice Guidance**"). The 2018 Code supersedes and replaces the Code of Corporate Governance 2012 ("**2012 Code**"), and applies to annual reports of listed entities relating to financial years commencing from 1 January 2019.

For the avoidance of doubt, this Report shall reference the principles laid down in the 2012 Code and describes the Company's ongoing efforts in complying with the 2012 Code and, where applicable, the Listing Manual (the "**Listing Rules**") of the SGX-ST throughout the financial year 2018 ("FY2018"). The Company has complied with the 2012 Code, except where otherwise explained. In areas where the Group has not complied with the 2012 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 regularly scheduled meetings on a quarterly basis. Ad-hoc meetings are convened as and when circumstances require. The Constitution of the Company (the "Constitution") permits directors to attend meetings by telephonic or video-conference.

The number of Board and Board Committee meetings and the record of attendance of each director for FY2018 are 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	5	5	1	1*	1	1*	5	5*
Mr Edward John Flacbarth	5	5	1	1*	1	1*	5	5*
Mr Ng Loh Ken Peter	5	5	1	1	1	1	5	5
Mr Ho Chew Thim	5	5	1	1	1	1	5	5
Mr Wong Quee Quee, Jeffrey	5	5	1	1	1	1	5	5
Mr Lim Swee Yong#	5	2	1	1	1	1	5	3

Notes:
* Attended as invitees
\# Mr Lim Swee Yong resigned as Non-Executive Director of the Company on 30 April 2018.

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 aims 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, particularly 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 as prescribed by the Listing Rule 210(5)(a) (including a director who has no prior experience as a director of an issuer listed on the Singapore Exchange).

1.7 Each Board Committee is constituted with clear terms of reference to assist the Board and the Board Committees in discharging their respective 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 five (5) directors, three (3) of whom are independent, non-executive directors. As independent, non-executive directors make up more than half (50%) 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 ("CEO") is the same person, more than 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 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 and Listing Rule 210(5)(d), 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 the lead independent director of DeClout Limited ("**DeClout**", and together with its subsidiaries, the "**DeClout Group**"), a substantial 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 matters 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 more than half of the Board is comprised of independent directors and the commitment 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 such concerns 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)

The members of the Nominating Committee, including the Chairman of the Nominating Committee, are all independent directors.

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 programs 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 Ng Loh Ken Peter and Mr Wong Quee Quee, Jeffrey will retire pursuant to Regulation 117.

Both Mr Ng Loh Ken Peter and Mr Wong Quee Quee, Jeffrey, being eligible, have offered themselves for re-election. Mr Ng Loh Ken Peter will, upon re-election as a director, remain as the Chairman of the Audit Committee, and member of the Remuneration and Nominating Committees. Mr Wong Quee Quee, Jeffrey will, upon re-election as a director, remain as the Chairman of the Nominating Committee, and member of the Audit and Remuneration Committees. The information of Mr Ng Loh Ken Peter, Mr Wong Quee Quee, Jeffrey are set out in the Board of Directors section of this Annual Report and in Appendix 7.4.1 as per Listing Rule 720(6) found at paragraph 4.8 of this section.

Save for: (i) their respective shareholding interests, direct or indirect, in the Company; and (ii) in respect of Mr Ho Chew Thim being the lead independent director of both the Company and DeClout, there are no relationships, including immediate family relationships, between Mr Ho Chew Thim, Mr Ng Loh Ken Peter and Mr Wong Quee Quee, Jeffrey 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, 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	30 April 2018	–	–	–
Edward John Flacbarth *Executive Director and Global President*	27 April 2017	–	–	–	–
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.

Additional Information on Directors Seeking Re-Election and Appointment

4.8 Pursuant to Rule 720(6) of the Listing Rules, the information relating to the directors who are seeking re-election and appointment at the forthcoming AGM of the Company, as set out in Appendix 7.4.1 to the Listing Rules, is set out below:

	Re-election
	Ng Loh Ken Peter
Date of Appointment	27 June 2016
Date of last re-appointment (if applicable)	27 April 2017
Age	65
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee, and assessed Mr Ng's qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Independent Non-Executive Director of the Company and consider him to be independent.
Whether appointment is executive, and if so, the area of responsibility	Independent Non-Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of Audit Committee and a member of Nominating Committee and Remuneration Committee
Professional qualifications	Bachelor of Accountancy (Honours) from National University of Singapore, Chartered Financial Analyst
Working experience and occupation(s) during the past 10 years	**2000 – Present:** Managing Director, Peterson Asset Management Pte Ltd
Shareholding interest in Procurri Corporation Limited and its subsidiaries	137,600 shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, Procurri Corporation Limited and/or substantial shareholder of Procurri Corporation Limited or of any of its principal subsidiaries	No
Conflict of interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to Procurri Corporation Limited	Yes
Other Principal Commitments Including Directorships	
Past (for the last 5 years)	**Directorships** OWW Investments III Ltd
Present	**Directorships** iFast Corporation Limited, iFast Financial Pte Ltd, Peterson Asset Management Pte Ltd

Re-election	Appointment
Wong Quee Quee, Jeffrey	**Loke Wai San**
27 June 2016	29 April 2019
27 April 2017	N.A.
44	51
Singapore	Singapore
The Board, having considered the recommendation of the Nominating Committee, and assessed Mr Wong's qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Independent Non-Executive Director of the Company and consider him to be independent.	The Board, having considered the recommendation of the Nominating Committee, and assessed Mr Loke's qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Non-Independent Non-Executive Director of the Company.
Independent Non-Executive Director	Non-Independent Non-Executive Director
Independent Non-Executive Director, Chairman of Nominating Committee and a member of Audit Committee and Remuneration Committee	Non-Independent Non-Executive Director, Member of Audit Committee, Nominating Committee and Remuneration Committee
Bachelor of Law (Honours) from the National University of Singapore, HKSI Licensing Examination for Securities and Futures Intermediaries Paper 1 and 2 from Hong Kong Securities Institute, CMFAS Module 1B, 4A and 6 from The Institute of Banking & Finance in Singapore, Solicitor of the Supreme Court of England and Wales from Supreme Court of England and Wales, Advocate and Solicitor of the Supreme Court of Singapore from Supreme Court of Singapore	MBA from University of Chicago, BSEE from Lehigh University
2017 - Present: Head of Investment Banking and then Chief Executive Officer, SooChow CSSD Capital Markets (Asia) Pte. Ltd. **2010 – 2017:** Chief Operating Officer, then Managing Director of Investment Banking and then Head of Investment Banking, Religare Capital Markets Corporate Finance Pte. Limited **2009 - 2010:** Executive Director, Transactions Legal and then Executive Director, Equity Capital Markets, UBS AG	**Oct 2010 – Present:** Founder and CEO, Novo Tellus Capital Partners Pte Ltd **Mar 2000 – Jan 2010:** Managing Partner, Baring Asia Private Equity
123,800 shares	Deemed interest of 36,319,978 shares
No	No
No	No
Yes	Yes
Directorships Libra Group Limited, Religare Capital Markets Corporate Finance Pte. Limited, Religare Capital Markets (Hong Kong) Limited, Bartleet Wealth Management (Private) Limited	**Directorships** AEM Holdings, Sunningdale Tech Ltd, NovoFlex Pte Ltd, NovoTellus Capital Partner Pte Ltd
Directorships Honestbee Pte. Ltd., Solum Capital Limited, The Cub SG Pte. Ltd., Sunstone Capital Markets Pte. Ltd., SooChow CSSD Capital Markets (Asia) Pte. Ltd. **Other Principal Commitments** - 30 Sep 2017 to Present: Member of Management Corporation Strata Title 3682	**Directorships** AEM Holdings, Sunningdale Tech Ltd, NovoFlex Pte Ltd, NovoTellus Capital Partner Pte Ltd

(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	
(c)	Whether there is any unsatisfied judgment against him?	
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—	
	(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	
	(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	
	(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	
	(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	

Disclosure applicable to the appointment of Director only.

Any prior experience as a director of a listed company?	
If yes, please provide details of prior experience.	
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	

	Re-election		Appointment
	Ng Loh Ken Peter	Wong Quee Quee, Jeffrey	Loke Wai San
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	No	No
	No	Yes[1]	No
	No	No	No

	N.A.	N.A.	Yes
	N.A.	N.A.	AEM Holdings Limited: Executive Chairman, Sunningdale Tech Ltd:Independent Director
	N.A.	N.A.	N.A.
	N.A.	N.A.	N.A.

1 Mr Wong Quee Quee, Jeffrey was an executive board director of Religare Capital Markets Corporate Finance Pte. Limited ("RCMCF") between December 2010 and November 2017. In July 2016, RCMCF received a supervisory reminder from the Monetary Authority of Singapore (the "Authority") informing RCMCF in respect of its breach of Regulation 6(1)(a) of the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations ("SF(FRM)R"), which required the holder of the capital markets services licence granted under the Singapore Securities and Futures Act to ensure that its financial resources do not fall below its total risk requirement. In July 2017, the Authority discovered another breach of the SF(FRM)R by RCMCF. After his resignation as executive director of RCMCF in November 2017, he was informed by RCMCF that the Authority had, in February 2018, issued another supervisory reminder to remind RCMCF to ensure compliance with all applicable regulations at all time.

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 the 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.

5.4 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)

The members of the Remuneration Committee are all independent directors.

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 to the entire Board for endorsement. 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. For FY2018, the Company had appointed Willis Towers Watson as a remuneration consultant to review the existing remuneration framework for the Executive Directors and key management personnel. There is no relationship between the Company and Willis Towers Watson that will affect the independence and objectivity of Willis Towers Watson.

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 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. As at 31 December 2018, the Company has not granted any share options and awards pursuant to the ESOS and PSP respectively in FY2018.

8.3 Any shares to be issued pursuant to share options and 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.

8.4 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.

8.5 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. Mr Edward John Flacbarth's current service agreement with the Company ends on 26 April 2020. 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 bonuses on achievement of their key performance indicators.

9.3 A breakdown showing the level and mix of each individual director's remuneration paid/payable for FY2018 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	83	–	–	17	100
(ii) **S$250,000 to below S$499,999**					
Mr Edward John Flachbarth	88	–	–	12	100
(iii) **Below S$250,000**					
Mr Lim Swee Yong(3)	–	–	100	–	100
Mr Ho Chew Thim	–	–	100	–	100
Mr Ng Loh Ken Peter	–	–	100	–	100
Mr Wong Quee Quee, Jeffrey	–	–	100	–	100

Notes :
(1) Includes fixed allowances.
(2) Includes fair value of the awards under PSP for FY2017 vested during the year on or before 31 December.
(3) Retired from the position of Director on 30 April 2018; director's fees have been pro-rated accordingly

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 the Company's interests with 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 FY2018, 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)]	1
S$250,000 to S$499,999[(1)]	4

Note :
(1) Includes employers' CPF and fair value of the awards under PSP for FY2018 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 FY2018 is approximately S$2,132,000.

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 FY2018.

(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 Group has an in-house internal audit function that is carried out by Group Internal Audit. 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 the 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, risk management systems and sustainability risks management are adequate and effective though continuous improvements are needed as the Group grows its business.

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)

The members of the Audit Committee are all independent directors.

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, 715 and 716 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 FY2018 are tabulated in the table below:

Fees Paid and Payable	S$	%
Audit Services	431,000	95
Non-Audit Services	25,000	5
Total	456,000	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 FY2018 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) Impairment assessment of goodwill (c) Impairment assessment of receivables (d) 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 Group has an in-house internal audit function that is carried out by Group Internal Audit ("GIA") to assist the Group in evaluating and assessing the effectiveness of internal controls and to consequently highlight the areas where control weaknesses exist, if any, so that improvements can be made.

13.2 GIA reports primarily to the Chairman of the Audit Committee. GIA operates under a charter from the Audit Committee that gives it unrestricted access to review the documents, records, properties and personnel of the Group. GIA reports to the Audit Committee on a quarterly basis regarding the progress and major findings of the internal audit process.

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 of the Group.

(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.

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 appraised 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 FY2018 as 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 The Board of Directors are required to be 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 FY2018 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 FY2018 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.	367

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	1,500
Procuring maintenance parts for the life cycle services business of the Group	4,000
Total	6,700

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 2018.

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 2018 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
Ho Chew Thim
Ng Loh Ken Peter
Wong Quee Quee, Jeffrey
Edward John Flachbarth

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:

	Direct interest			Deemed interest		
Name of directors	**At beginning of the financial year**	**At end of the financial year**	**At end of 21 January 2019**	**At beginning of the financial year**	**At end of the financial year**	**At end of 21 January 2019**
The Company						
Ordinary shares						
Thomas Sean Murphy	1,653,400	2,063,000	2,063,000	33,995,000	33,995,000	33,995,000
Edward John Flachbarth	724,000	1,068,000	1,068,000	33,995,000	33,995,000	33,995,000
Ho Chew Thim	100,000	241,000	241,000	–	–	–
Ng Loh Ken Peter	–	137,600	137,600	–	–	–
Wong Quee Quee, Jeffrey	–	123,800	123,800	–	–	–
Share awards granted under Procurri Performance Share Plan						
Thomas Sean Murphy	722,400	412,800	412,800	–	–	–
Edward John Flachbarth	688,000	–	–	–	–	–
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 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)
- Wong Quee Quee, Jeffrey (Independent and 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.

	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 forfeited/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
2017	–	5,414,500	309,600	344,000	4,760,900
2018	**4,760,900**	**–**	**2,632,400**	**1,715,700**	**412,800**

The Company has granted 5,414,500 shares under the Procurri PSP on 18 May 2017. No awards have been granted for the financial year ended 31 December 2018.

SHARE OPTIONS AND AWARDS (Continued)

The information on directors (holding office at the date of this statement) of the Group participating in the 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	Number of shares comprised in awards forfeited/lapsed during the year	Aggregate number of shares comprised in awards outstanding as at end of year
Directors					
Thomas Sean Murphy	1,256,000	–	843,200	–	412,800
Edward John Flachbarth	912,000	–	568,000	344,000	–
Ho Chew Thim	141,000	–	141,000	–	–
Ng Loh Ken Peter	137,600	–	137,600	–	–
Wong Quee Quee, Jeffrey	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)

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 2017 and 2018.

DIRECTORS' STATEMENT

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)

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.

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

27 March 2019

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018, 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 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.

Key Audit Matters (Continued)

Revenue recognition

The Group recognised revenue from sale of goods of $154,802,000 (2017: $139,862,000) during the financial year. We identified the appropriateness of the timing of revenue recognition to be a higher audit risk area. Due to this and 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 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 controls relating to the timing of the revenue recognition. We tested a sample of revenue transactions and the related supporting documents to assess if the related revenue and trade receivables are recorded in the correct accounting period. We sent confirmation requests to selected customers to confirm the sales transactions recorded during the year.

We performed sales cut–off test to ascertain whether revenue is recorded in the correct period and reviewed credit notes issued to customers after the year end to ascertain whether revenue is recognised in the correct period. We also performed 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.

Impairment assessment of goodwill

As at 31 December 2018, the carrying value of the goodwill is $11,814,000 which represents 31% of the total non-current assets and 17% 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 is 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 appropriateness of the method used by management to estimate the recoverable value and evaluated the key assumptions used in the impairment test, in particular the forecasted revenue growth and gross margin rate, 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 assessed the reasonableness of the forecasted revenue growth rate and gross margin rate by comparing them to historical performance and business plans. We evaluated the terminal growth rates by benchmarking them to external sources such as economic growth and expected inflation rates. We involved our internal valuation specialists to assess the reasonableness of the discount rates used by the Group. We reviewed management's analysis of the sensitivity of the value-in-use calculations to a reasonably possible change 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.

Key Audit Matters (Continued)

Impairment assessment of trade receivables

The Group's trade receivable balances were significant as they represent 48% of the total current assets in the consolidated balance sheet. The total trade receivables and allowance for expected credit loss of trade receivables amounted to $49,269,000 and $1,528,000 respectively as at 31 December 2018. The Group uses a provision matrix to calculate expected credit losses for trade receivables which is determined based on the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information. The determination of expected credit losses require management to exercise significant judgement. As such, we determined this as 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 requested trade receivable confirmations for selected trade debtors and reviewed for collectability by obtaining evidence of subsequent receipts from debtors. We also reviewed the past payment history and creditworthiness of debtors. We had discussions with management on the recoverability of long outstanding debts. We tested the ageing of the receivables and reviewed management's grouping of the receivables into category with similar loss patterns. We assessed the reasonableness of the allowance for expected credit losses by comparing the actual loss trends across periods against loss rate applied to management's grouping in the different geographical area. We also assessed the reasonableness of the adjustments made to historical loss rates to incorporate current conditions of the debtors and forward-looking information based on specific economic data. We assessed the adequacy of the Group's disclosures on the trade receivables in Note 17 and the related risks such as credit risk and liquidity risk in Note 30.

Inventories write-down

The Group's total inventories and the related allowance to write-down to net realisable value ("NRV") amounted to $21,816,000 and $2,965,000 respectively as at 31 December 2018. 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 the quantum of such write down. As such, we determined that this is a key audit matter.

As part of our procedures, we obtained the inventory aging report and discussed with management their procedures to identify slow-moving and obsolete inventories and assessed the adequacy of slow-moving and obsolete inventories write down to 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 to selling prices of the inventories subsequent to year-end. 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 SFRS(I), 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.

- 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

27 March 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group	
	Note	2018 $'000	2017 $'000
Revenue	4	**220,236**	181,822
Cost of sales		**(139,733)**	(122,854)
Gross profit		**80,503**	58,968
Other items of income			
Other income	5	**1,704**	3,130
Other credits	8	**339**	–
Other items of expense			
Selling expenses		**(16,239)**	(10,200)
Administrative expenses		**(49,985)**	(47,871)
Finance costs	7	**(678)**	(737)
Other charges	8	**(5,567)**	(5,566)
Profit/(loss) before tax	9	**10,077**	(2,276)
Income tax expense	10	**(4,740)**	(473)
Profit/(loss) for the year		**5,337**	(2,749)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**(452)**	(270)
Other comprehensive income for the year		**(452)**	(270)
Total comprehensive income for the year		**4,885**	(3,019)
Profit/(loss) for the year attributable to:			
Owners of the Company		**5,337**	(2,749)
Total comprehensive income attributable to:			
Owners of the Company		**4,885**	(3,019)
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	**1.89**	(0.98)
Diluted	11	**1.89**	(0.98)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
ASSETS							
Non-current assets							
Plant and equipment	12	**22,054**	27,378	11,304	**20,584**	23,007	7,116
Investment in subsidiaries	13	**–**	–	–	**44,345**	44,010	42,564
Intangible assets	14	**12,853**	13,824	14,322	**1,039**	1,560	2,079
Finance lease receivables	15	**1,304**	2,038	1,677	**–**	–	–
Deferred tax assets	10	**1,622**	1,190	554	**309**	–	–
		37,833	44,430	27,857	**66,277**	68,577	51,759
Current assets							
Inventories	16	**21,816**	21,424	15,641	**–**	–	–
Trade and other receivables	17	**53,365**	48,347	39,410	**11,641**	13,073	11,214
Prepayments	18	**8,333**	5,434	2,868	**16**	18	11
Finance lease receivables	15	**854**	1,433	1,299	**–**	–	–
Derivative financial asset	19	**1,043**	1,044	–	**–**	–	–
Cash and bank balances	20	**18,082**	18,459	30,006	**9,655**	5,911	18,170
		103,493	96,141	89,224	**21,312**	19,002	29,395
Total assets		**141,326**	140,571	117,081	**87,589**	87,579	81,154
EQUITY AND LIABILITIES							
Current liabilities							
Trade and other payables	21	**32,246**	29,154	24,670	**6,747**	2,900	6,007
Deferred income	24	**18,831**	20,527	3,452	**–**	–	–
Loans and borrowings	22	**9,993**	13,252	13,607	**3,802**	4,898	2,960
Income tax payable		**4,884**	3,377	1,033	**2,074**	–	–
		65,954	66,310	42,762	**12,623**	7,798	8,967
Net current assets		**37,539**	29,831	46,462	**8,689**	11,204	20,428
Non-current liabilities							
Deferred tax liabilities	10	**144**	629	508	**–**	80	167
Loans and borrowings	22	**4,094**	8,162	4,480	**4,094**	7,718	3,186
Provisions	23	**561**	807	827	**65**	–	–
Deferred income	24	**1,532**	821	1,422	**–**	–	–
		6,331	10,419	7,237	**4,159**	7,798	3,353
Total liabilities		**72,285**	76,729	49,999	**16,782**	15,596	12,320
Net assets		**69,041**	63,842	67,082	**70,807**	71,983	68,834

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

BALANCE SHEETS

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Equity attributable to owners of the Company							
Share capital	25	**71,703**	70,938	70,068	**71,703**	70,938	70,068
Retained earnings/ (accumulated losses)		**18,167**	12,910	16,989	**(972)**	598	(1,442)
Other reserves	26	**(20,829)**	(20,006)	(19,975)	**76**	447	208
		69,041	63,842	67,082	**70,807**	71,983	68,834
Non-controlling interests*		**–**	–	–	**–**	–	–
Total equity		**69,041**	63,842	67,082	**70,807**	71,983	68,834
Total equity and liabilities		**141,326**	140,571	117,081	**87,589**	87,579	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 2018

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
Opening balance at 1 January 2018 (FRS framework)	**70,938**	**15,973**	**(23,069)**	**63,842**	**63,842**
Effect of adopting SFRS(I)	**–**	**(3,063)**	**3,063**	**–**	**–**
Effect of adopting SFRS(I) 9	**–**	**(80)**	**–**	**(80)**	**(80)**
Opening balance at 1 January 2018 (SFRS(I) framework)	**70,938**	**12,830**	**(20,006)**	**63,762**	**63,762**
Total comprehensive income for the financial year	**–**	**5,337**	**(452)**	**4,885**	**4,885**
Contributions by and distributions to owners					
Issuance of new shares pursuant to performance shares plan	**765**	**–**	**(765)**	**–**	**–**
Share based payment	**–**	**–**	**394**	**394**	**394**
	765	**–**	**(371)**	**394**	**394**
Closing balance at 31 December 2018	**71,703**	**18,167**	**(20,829)**	**69,041**	**69,041**
Opening balance at 1 January 2017 (FRS framework)	70,068	20,052	(23,038)	67,082	67,082
Effect of adopting SFRS(I)	–	(3,063)	3,063	–	–
Opening balance at 1 January 2017 (SFRS(I) framework)	70,068	16,989	(19,975)	67,082	67,082
Total comprehensive income for the financial year	–	(2,749)	(270)	(3,019)	(3,019)
Contributions by and distributions to owners					
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)
Closing balance at 31 December 2017	70,938	12,910	(20,006)	63,842	63,842

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 2018

Company	**Share capital (Note 25) $'000**	**Retained earnings/ (accumulated losses) $'000**	**Other reserves (Note 26) $'000**	**Total equity $'000**
Opening balance at 1 January 2018 (SFRS(I) framework)	**70,938**	**598**	**447**	**71,983**
Total comprehensive income for the year	**–**	**(1,570)**	**–**	**(1,570)**
<u>Contributions by and distributions to owners</u>				
Issuance of new shares pursuant to performance share plan	**765**	**–**	**(765)**	**–**
Share based payment	**–**	**–**	**394**	**394**
Closing balance at 31 December 2018	**71,703**	**(972)**	**76**	**70,807**
Opening balance at 1 January 2017 (SFRS(I) framework)	70,068	(1,442)	208	68,834
Total comprehensive income for the year	–	3,370	–	3,370
<u>Contributions by and distributions to owners</u>				
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)
Closing Balance at 31 December 2017	70,938	598	447	71,983

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 2018

		Group	
	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit/(loss) before tax		**10,077**	(2,276)
Adjustments for:			
Depreciation of plant and equipment	12	**8,384**	7,696
Amortisation of intangible assets	14	**600**	756
Share based payment	27	**394**	1,109
Loss on disposal of plant and equipment	8	**12**	178
Loss/(gain) on fair value of derivative financial asset	5,8	**14**	(1,044)
Interest income	5	**(241)**	(163)
Interest expenses	7	**678**	737
Inventories written down	8	**2,965**	2,748
Allowance for impairment on trade receivables	8	**2,576**	1,135
Provisions	23	**108**	–
Unrealised exchange gain		**105**	(842)
Operating cash flows before changes in working capital		**25,672**	10,034
Increase in inventories		**(3,146)**	(5,230)
Increase in trade and other receivables		**(7,292)**	(8,198)
Decrease/(increase) in finance lease receivables		**1,313**	(495)
Increase in prepayments		**(2,898)**	(2,566)
(Decrease)/increase in deferred income		**(985)**	17,075
Increase in trade and other payables and provisions		**2,226**	4,113
Net cash generated from operations		**14,890**	14,733
Income taxes paid		**(3,853)**	(1,352)
Net cash generated from operating activities		**11,037**	13,381
Cash flows from investing activities			
Purchase of plant and equipment		**(3,494)**	(5,675)
Proceeds from disposal of plant and equipment		**347**	166
Placement of fixed deposits pledged for banking facilities		**(4)**	(1,255)
Placement of fixed deposit		**(4,094)**	(1,336)
Proceeds from maturity of fixed deposits		**–**	3,000
Net outflow from acquisition of subsidiary		**–**	(21,646)
Decrease in amounts due from related companies		**–**	327
Decrease in amounts due from holding company		**–**	2
Interest received		**241**	163
Net cash used in investing activities		**(7,004)**	(26,254)

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 2018

	Group	
	2018 $'000	**2017 $'000**
Cash flows from financing activities		
Proceeds from loans and borrowings	**111,784**	112,236
Repayments of loans and borrowings	**(119,893)**	(108,213)
(Decrease)/increase in amounts due to holding company	**(274)**	318
Dividends paid	**–**	(1,330)
Interest paid	**(678)**	(737)
Net cash (used in)/generated from financing activities	**(9,061)**	2,274
Net decrease in cash and cash equivalents	**(5,028)**	(10,599)
Effect of exchange rate changes on cash and cash equivalents	**28**	9
Cash and cash equivalents at beginning of the financial year	**15,673**	26,263
Cash and cash equivalents at end of the financial year (Note 20)	**10,673**	15,673

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

1. CORPORATE INFORMATION

Procurri Corporation Limited (the "Company") is a public listed company incorporated and domiciled in Singapore. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 July 2016.

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.

On 4 January 2019, DeClout Limited sold 48,000,000 ordinary shares of the Company to two independent third parties. The 48,000,000 ordinary shares were subsequently purchased by A.C.T. Holdings Pte Ltd, one of Novo Tellus PE Fund 2, L.P.'s ("Novo Tellus") co-owners.

On 21 March 2019, Novo Tellus acquired 36,319,978 ordinary shares of the Company from DeClout Limited.

Following the 4 January 2019 and 21 March 2019 sales, DeClout Limited continues to hold 16.86% of the Group and will cease to be the holding company subsequently in the next financial year.

At the date of the financial statements, Novo Tellus, with its co-investor, A.C.T. Holdings Pte Ltd, is the largest shareholder of the Group with a 29.62% stake.

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 (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 First-time adoption of (SFRS(I))

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to acquisitions of subsidiaries that are considered businesses under SFRS(I). The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of $3,063,000 was adjusted against the opening retained earnings as at 1 January 2017.

- The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 First-time adoption of (SFRS(I)) *(Continued)*

New accounting standards effective on 1 January 2018 (Continued)

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

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9.

There is no significant impact arising from measurement of the instruments above under SFRS(I) 9. The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's and Company's financial statements.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECLs") on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade debtors of $80,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of $80,000 as at 1 January 2018.

The reconciliation for loss allowances for the Group are as follow:

	Trade and other receivables $'000
Opening loss allowance as at 1 January 2018	1,035
Amount restated through opening retained earnings	80
Adjusted loss allowance as at 1 January 2018	1,115

The initial application of SFRS(I) 9 does not have any impairment effect to the Company's financial statements.

Tax and other adjustments

There is no significant impact arising from tax adjustments from the adoption of SFRS(I) 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 First-time adoption of (SFRS(I)) *(Continued)*

New accounting standards effective on 1 January 2018 (Continued)

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

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply exemption in SFRS(I) 1 to apply the following practical expedient in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated completed contracts that begin and end within the same year or are completed contracts at 1 January 2017.

The key impact of adopting SFRS(I) 15 is detailed as follows:

(i) Capitalised contract cost – Sales commissions

The Group incurred commission costs to employees as target incentives on the sales contract and currently recognises such commissions as expense when incurred. The Group applied the practical expedients in SFRS(I) 15 for costs to obtain a contract to expense those costs that would have been amortised over one year or less. Where amortisation period will be longer than one year, the Group will capitalise the incremental costs of obtaining a contract that meet the criteria in SFRS(I) 15. Under SFRS(I)15, the Group capitalises 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 SFRS(I) 15, the Group expected to capitalise such contract asset with a related decrease to marketing and distribution expense for the financial year ended 31 December 2018. The Group applied the practical expedients in SFRS(I) 15 for costs to obtain a contract to expense those costs that would have been amortised over one year or less. Where amortisation period will be longer than one year, the Group will capitalise the incremental costs of obtaining a contract that meet the criteria in SFRS(I) 15. Arising from this change, the Group did not recognise any capitalised contact cost as the amount is insignificant.

(ii) Rights of return

The Group supplies Information Technology (“IT”) hardware equipment with right of return within 30 days from the date of delivery to customer. Based on the Group’s historical experience, the expected returns are insignificant.

<u>Tax and other adjustments</u>

There is no significant impact arising from tax adjustments from the adoption of SFRS(I) 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 First-time adoption of (SFRS(I)) *(Continued)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

		Group	
	1.1.2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	1.1.2017 (SFRS(I)) $'000
ASSETS			
Non-current assets			
Plant and equipment	11,304	–	11,304
Investment in subsidiaries	–	–	–
Intangible assets	14,322	–	14,322
Finance lease receivables	1,677	–	1,677
Deferred tax assets	554	–	554
	27,857	–	27,857
Current assets			
Inventories	15,641	–	15,641
Trade and other receivables	39,410	–	39,410
Prepayments	2,868	–	2,868
Finance lease receivables	1,299	–	1,299
Derivative financial asset	–	–	–
Cash and bank balances	30,006	–	30,006
	89,224	–	89,224
Total assets	117,081	–	117,081
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	24,670	–	24,670
Deferred income	3,452	–	3,452
Loans and borrowings	13,607	–	13,607
Income tax payable	1,033	–	1,033
	42,762	–	42,762
Net current assets	46,462	–	46,462
Non-current liabilities			
Deferred tax liabilities	508	–	508
Loans and borrowings	4,480	–	4,480
Provisions	827	–	827
Deferred income	1,422	–	1,422
	7,237	–	7,237
Total liabilities	49,999	–	49,999
Net assets	67,082	–	67,082

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 First-time adoption of (SFRS(I)) *(Continued)*

		Group	
	1.1.2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	1.1.2017 (SFRS(I)) $'000
Equity attributable to owners of the Company			
Share capital	70,068	–	70,068
Retained earnings	20,052	(3,063)	16,989
Other reserves	(23,038)	3,063	(19,975)
	67,082	–	67,082
Non-controlling interests*	–	–	–
Total equity	67,082	–	67,082
Total equity and liabilities	117,081	–	117,081

* Less than $1,000

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

			Group		
	31.12.2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	31.12.2017 (SFRS(I)) $'000	SFRS(I) 9 adjustments $'000	1.1.2018 (SFRS(I)) $'000
ASSETS					
Non-current assets					
Plant and equipment	27,378	–	27,378	–	27,378
Intangible assets	13,824	–	13,824	–	13,824
Finance lease receivables	2,038	–	2,038	–	2,038
Deferred tax assets	1,190	–	1,190	–	1,190
	44,430	–	44,430	–	44,430
Current assets					
Inventories	21,424	–	21,424	–	21,424
Trade and other receivables	48,347	–	48,347	(80)	48,267
Prepayments	5,434	–	5,434	–	5,434
Finance lease receivables	1,433	–	1,433	–	1,433
Derivative financial asset	1,044	–	1,044	–	1,044
Cash and bank balances	18,459	–	18,459	–	18,459
	96,141	–	96,141	(80)	96,061
Total assets	140,571	–	140,571	(80)	140,491

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 First-time adoption of (SFRS(I)) (Continued)

	Group 31.12.2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	31.12.2017 (SFRS(I)) $'000	SFRS(I) 9 adjustments $'000	1.1.2018 (SFRS(I)) $'000
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	29,154	–	29,154	–	29,154
Deferred income	20,527	–	20,527	–	20,527
Loans and borrowings	13,252	–	13,252	–	13,252
Income tax payable	3,377	–	3,377	–	3,377
	66,310	–	66,310	–	66,310
Net current assets	29,831	–	29,831	(80)	29,751
Non-current liabilities					
Deferred tax liabilities	629	–	629	–	629
Loans and borrowings	8,162	–	8,162	–	8,162
Provisions	807	–	807	–	807
Deferred income	821	–	821	–	821
	10,419	–	10,419	–	10,419
Total liabilities	76,729	–	76,729	–	76,729
Net assets	63,842	–	63,842	(80)	63,762
Equity attributable to owners of the Company					
Share capital	70,938	–	70,938	–	70,938
Retained earnings	15,973	(3,063)	12,910	(80)	12,830
Other reserves	(23,069)	3,063	(20,006)	–	(20,006)
	63,842	–	63,842	(80)	63,762
Non-controlling interests*	–	–	–	–	–
Total equity	63,842	–	63,842	(80)	63,762
Total equity and liabilities	140,571	–	140,571	(80)	140,491

* Less than $1,000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
SFRS(I) 16 *Leases*	1 January 2019
SRFS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term interest in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Date to be determined

Except for 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)16 is described below.

<u>SFRS(I)16 *Leases*</u>

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Standards issued but not yet effective (Continued)

SFRS(I)16 *Leases* *(Continued)*

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Basis of consolidation and business combinations (Continued)

(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 an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The two measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement (Continued)

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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 for debt instruments is recognised in profit or loss.

(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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets (Continued)

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and 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.

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.

2.15 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 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

(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 loss 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 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 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 2.19(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.19 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

The Group supplies IT hardware equipment including but not limited to pre-owned servers, storage and networking equipment.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are sold with the right of return within 30 days.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of expected returns. Based on the Group's experience with similar types of contracts, expected returns are insignificant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

(a) Sale of goods (Continued)

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

(b) Rendering of services

The Group renders IT maintenance services for a variety of IT system and networks as well as equipment refurbishment and data destruction services and asset disposal services.

Revenue derived from rendering of IT maintenance services are recognised over time on a straight line basis, over the period of the contract when maintenance services are rendered.

For IT maintenance services, advance billings to customers are based on a payment schedule in the contract. A deferred income is recognised when the Group has yet to perform under the contracts but has received advanced payments from the customers.

Revenue derived from equipment refurbishment, data destruction, and asset disposal services, are recognised at the point in time upon completion of the service.

(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.

(d) Finder's fee

The Group acts as an agent to provide a service of arranging another party to transfer goods or services to a customer. The Group recognises a commission fee 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 including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

For the revenue streams (a), (b) and (c) stated above, in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money for contracts with customers that include a significant financing component. In adjusting for the significant financing component, the Group uses a discount rate that would be reflected in a separate financing transaction between the Group and its customers of contract inception such that it reflects the credit characteristics of the party receiving financing in the contract.

In addition, the incremental costs of obtaining a contract are capitalised if these costs are recoverable. The Group has elected to apply the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred where the amortisation period of the asset that would otherwise be recognised is one year or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 *Taxes (Continued)*

(b) Deferred tax (Continued)

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.

2.21 *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.

2.22 *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 the revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could 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

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

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) Provision for expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 17 to the financial statements.

The carrying amount of trade receivables at the end of the reporting period is disclosed in Note 17.

(b) 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 2018 was $21,816,000 (31.12.2017: $21,424,000, 1.1.2017: $15,641,000) and $2,965,000 (2017: $2,748,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(c) Impairment assessment of goodwill

As disclosed in Note 14 to the financial statements, the recoverable amounts of the cash generating units which goodwill has been allocated to 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 2018 is disclosed in Note 14.

4. REVENUE

(a) Disaggregation of revenue

	IT Distribution		Lifecycle Services		Total	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Major revenue stream						
Sale of goods	**154,802**	139,862	**–**	–	**154,802**	139,862
Rendering of services	**–**	374	**62,154**	38,707	**62,154**	39,081
Equipment rental and leasing	**–**	–	**3,280**	2,787	**3,280**	2,787
Finder's fee	**–**	92	**–**	–	**–**	92
	154,802	140,328	**65,434**	41,494	**220,236**	181,822
Timing of transfer of goods or services						
At a point in time	**154,802**	140,328	**8,171**	6,164	**162,973**	146,492
Over time	**–**	–	**57,263**	35,330	**57,263**	35,330
	154,802	140,328	**65,434**	41,494	**220,236**	181,822

4. REVENUE (Continued)

(a) Disaggregation of revenue (Continued)

	Total	
	2018 $'000	**2017 $'000**
Primary geographical markets		
Singapore	**31,574**	27,852
Europe, the Middle East and Africa	**63,129**	66,327
Americas	**120,992**	81,948
Others	**4,541**	5,695
	220,236	181,822

(b) Judgement and methods used in estimating revenue

Estimating variable consideration for sale of goods

In estimating the variable consideration for the sale of goods, the Group uses the expected value method to predict the product returns by geographical areas. Management relies on historical experience with product returns of customers, analysed by customers and geographical areas.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For product returns, management considers its historical experience to develop an estimate of variable consideration for expected returns using the expected value method.

(c) Deferred income

Information about deferred income from contract with customers is disclosed as follows:

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Deferred income	**20,363**	21,348	4,874

Deferred income primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for maintenance services.

Deferred income is recognised as revenue as the Group performs under the contract.

Significant changes in deferred income is explained as follows:

	Group	
	2018 $'000	**2017 $'000**
Revenue recognised that was included in the deferred income balance at the beginning of the year	**20,527**	3,452

5. OTHER INCOME

	Group	
	2018 $'000	**2017 $'000**
Interest income on:		
- Finance lease receivables	**151**	132
- Fixed deposit	**90**	31
Government grants	**31**	67
Recovery of freight costs	**172**	593
Sales of other ancillary services	**984**	1,009
Rental of premises	**–**	9
Gain on fair value of derivative financial asset (Note 19)	**–**	1,044
Others	**276**	245
	1,704	3,130

6. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018 $'000	**2017 $'000**
Salaries, allowances, bonuses and commissions	**46,778**	38,728
Contributions to defined contribution plan	**4,145**	2,041
Share-based payments (Note 27)	**394**	1,109
Other short-term benefits	**2,759**	4,022
	54,076	45,900

The employee benefits expense is charged under:

Administrative expenses	**34,867**	32,391
Cost of sales	**3,966**	4,104
Selling expenses	**15,243**	9,405
	54,076	45,900

7. FINANCE COSTS

	Group	
	2018 $'000	**2017 $'000**
Interest expenses on:		
- Bank loans, revolving loans, bank overdrafts, trade receivables factoring and trust receipts carried at amortised cost	**636**	654
- Finance lease obligations	**42**	83
	678	737

8. OTHER CHARGES, NET

	Group	
	2018 $'000	**2017 $'000**
Other charges		
Inventories written down (Note 16)	**(2,965)**	(2,748)
Impairment loss on trade and other receivables (Note 17)	**(2,576)**	(1,135)
Impairment of staff advance	**–**	(722)
Foreign exchange loss, net	**–**	(783)
Loss on disposal of plant and equipment	**(12)**	(178)
Loss on fair value of derivative financial asset (Note 19)	**(14)**	–
	(5,567)	(5,566)
Other credit		
Foreign exchange gain, net	**339**	–
Other charges, net	**(5,228)**	(5,566)

9. PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax:

	Group	
	2018 $'000	**2017 $'000**
Audit fees to auditors of the Company	**278**	190
Audit fees to other member firms of EY Global	**153**	168
Audit fees to other auditors	**429**	369
Non-audit fees to auditors of the Company	**25**	88
Non-audit fees to other auditors	**155**	259
Employee benefits expense (Note 6)	**54,076**	45,900
Rental of premises	**2,544**	2,418
Depreciation of plant and equipment (Note 12)	**8,384**	7,696
Amortisation of intangible assets (Note 14)	**600**	756
Professional fees	**1,626**	1,576
Director fees	**192**	401

10. INCOME TAX EXPENSE

Components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2018 and 2017 are:

	Group	
	2018 $'000	**2017 $'000**
Current income tax:		
Current income taxation	**(5,479)**	(971)
Under provision in respect of previous years	**(178)**	(17)
	(5,657)	(988)
Deferred income tax:		
Origination and reversal of temporary differences	**614**	304
Effect of changes in tax rate	**–**	113
Over provision in respect of previous years	**34**	98
Utilisation of previously unrecognised deferred tax asset	**269**	–
	917	515
Income tax expense recognised in profit or loss	**(4,740)**	(473)

Relationship between tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the financial years ended 31 December 2018 and 2017 is as follows:

	Group	
	2018 $'000	**2017 $'000**
Profit/(loss) before tax	**10,077**	(2,276)
Tax at the domestic rates applicable to profits/(loss) in the countries where the Group operates	**(4,136)**	(357)
Non-deductible expenses	**(969)**	(565)
Income not subject to tax	**98**	166
Effect of partial tax exemption, tax incentives and tax relief	**72**	32
Under provision of income tax expense in respect of previous years	**(178)**	(17)
Over provision of deferred income tax expense in respect of previous years	**34**	98
Effect of changes in tax rate	**–**	113
Utilisation of previously unrecognised deferred tax asset	**269**	–
Others	**70**	57
Income tax expense recognised in profit or loss	**(4,740)**	(473)

10. INCOME TAX EXPENSE (Continued)

Deferred tax credit recognised in profit or loss includes:

	Group	
	2018 $'000	**2017 $'000**
Fair value adjustments on acquisition of subsidiary	**15**	47
Excess of net book value of plant and equipment over tax values	**710**	(345)
Unutilised tax losses	**(137)**	(17)
Unutilised capital allowances	**(273)**	367
Provisions	**618**	315
Over provision in respect of previous years	**34**	98
Others	**(50)**	50
Total deferred tax credit recognised in profit or loss	**917**	515

Deferred tax balance in balance sheets:

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'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	**(230)**	(974)	(679)	**–**	(594)	(383)
Unutilised tax losses	**21**	158	175	**–**	–	–
Unutilised capital allowances	**305**	578	211	**305**	511	211
Provisions	**1,382**	764	401	**4**	3	5
Others	**–**	50	–	**–**	–	–
	1,478	561	46	**309**	(80)	(167)
Presented in the statements of financial position as follow:						
Deferred tax assets	**1,622**	1,190	554	**309**	–	–
Deferred tax liabilities	**(144)**	(629)	(508)	**–**	(80)	(167)
	1,478	561	46	**309**	(80)	(167)

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

- United States: from 40% to 28% (1 January 2018 onwards)
- United Kingdom: 19% (1 April 2017 onwards) to 18% (1 April 2020 onwards)

10. INCOME TAX EXPENSE (Continued)

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 $24,180,000 (2017: $13,670,000). The deferred tax liability is estimated to be $2,837,000 (2017: $963,000).

Unrecognised tax losses and capital allowance

At the end of the reporting period, the Group has tax losses of approximately $1,230,000 (2017: $1,790,000) and capital allowance of $Nil (2017: $790,000) that are available for offset against future taxable profits of the Group 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.

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:

	2018 $'000	2017 $'000
Profit/(loss) for the year attributable to owners of the Company	**5,337**	(2,749)

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for earnings per share computation	**282,625**	280,118
Effect of dilutions:		
- Contingently issuable performance shares	**413**	4,954
Weighted average number of ordinary shares for diluted earnings per share computation	**283,038**	285,072

	2018	2017
Earnings per share attributable to owners of the Company (cents per share)		
Basic	**1.89**	(0.98)
Diluted	**1.89**	(0.98)

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 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	–	–	–	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 and 1 January 2018	2,310	140	9,045	30,511	126	42,132
Additions	526	–	972	2,196	14	3,708
Disposals	–	–	(7)	(426)	(19)	(452)
Reclassification from/(to) inventories	–	–	186	(395)	–	(209)
Exchange differences	(42)	–	(56)	14	(2)	(86)
At 31 December 2018	2,794	140	10,140	31,900	119	45,093
Accumulated depreciation:						
At 1 January 2017	407	54	2,511	4,299	38	7,309
Depreciation charge for the year	580	23	2,526	4,538	29	7,696
Disposals	–	–	–	(71)	–	(71)
Exchange differences	3	–	(225)	44	(2)	(180)
At 31 December 2017 and 1 January 2018	990	77	4,812	8,810	65	14,754
Depreciation charge for the year	597	2	1,983	5,770	32	8,384
Disposals	–	–	(4)	(80)	(9)	(93)
Exchange differences	(23)	–	108	(91)	–	(6)
At 31 December 2018	1,564	79	6,899	14,409	88	23,039
Net book value:						
At 1 January 2017	1,791	16	3,153	6,278	66	11,304
At 31 December 2017	1,320	63	4,233	21,701	61	27,378
At 31 December 2018	1,230	61	3,241	17,491	31	22,054

12. PLANT AND EQUIPMENT (Continued)

Company	Leasehold improvement $'000	Plant and equipment $'000	Maintenance parts $'000	Total $'000
Cost:				
At 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 and 1 January 2018	1,799	1,746	26,583	30,128
Additions	–	–	4,224	4,224
Disposals	–	–	(241)	(241)
At 31 December 2018	1,799	1,746	30,566	34,111
Accumulated depreciation:				
At 1 January 2017	258	1,165	561	1,984
Depreciation charge for the year	460	363	4,343	5,166
Disposal	–	–	(29)	(29)
At 31 December 2017 and 1 January 2018	718	1,528	4,875	7,121
Depreciation charge for the year	461	85	5,897	6,443
Disposals	–	–	(37)	(37)
At 31 December 2018	1,179	1,613	10,735	13,527
Net book value:				
At 1 January 2017	1,538	495	5,083	7,116
At 31 December 2017	1,081	218	21,708	23,007
At 31 December 2018	620	133	19,831	20,584

The depreciation expense is charged under:

	Group 2018 $'000	Group 2017 $'000
Cost of sales	**6,691**	5,860
Administrative expenses	**1,693**	1,836
	8,384	7,696

12. PLANT AND EQUIPMENT (Continued)

Purchase of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of $3,708,000 (2017: $5,675,000), of which $214,000 (2017: $Nil) is payable to the supplier as at 31 December 2018. The cash outflow on acquisition of property, plant and equipment amounted to $3,494,000 (2017: $5,675,000).

Assets held under finance leases

The carrying amount of plant and equipment of the Group held under finance leases as at 31 December 2018 is $747,000 (2017: $1,121,000).

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 2018 is $1,641,000 (31.12.2017: $2,338,000, 1.1.2017: $1,020,000).

13. INVESTMENT IN SUBSIDIARIES

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Shares, at cost	**42,369**	42,369	42,369
Issuance of Procurri PSP to employees of subsidiaries	**1,976**	1,641	195
	44,345	44,010	42,564

13. INVESTMENT IN SUBSIDIARIES (Continued)

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		
		31.12.2018 %	**31.12.2017 %**	**1.1.2017 %**
Procurri Singapore Pte. Ltd. ("Procurri Singapore") [(a)] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripheral equipment	**100**	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	100
Procurri Asia Pacific Pte. Ltd. ("Procurri Asia Pacific") [(a)] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripheral equipment	**100**	100	100
ASVIDA UK Limited [(c)] United Kingdom	Investment holding	**100**	100	100
Procurri India Private Limited [(c)] India	Business of hardware sales, maintenance and services	**100**	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	100
Held through ASVIDA UK Limited:				
Procurri LLC [(d)] United States	Business of provision of information technology solutions	**100**	100	100
Procurri Europe Limited ("PEL") [(b)] [(e)] United Kingdom	As an investment holding, engage in the distribution of information technology (IT) spare parts, refurbishment and subsequent sales of second user, reconfigured mid to high end IT equipment in the global market	**100**	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		
		31.12.2018 %	**31.12.2017 %**	**1.1.2017 %**
Held through PEL:				
Procurri UK Limited ("PUK") [e] [f] 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	100
Held through Procurri LLC:				
Procurri S. de R.L. de C.V. [d] Mexico	Business of provision of information technology solutions	**100**	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**	51	–
Held through PUK:				
EAF Supply Chain Holdings Limited ("EAF") [g] United Kingdom	Investment holding	**–**	100	100
Held through EAF:				
EAF Supply Chain Limited ("EAFSC") [e] [f] United Kingdom	Distribution of information technology (IT) spare parts.	**100**	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) Effective on 1 January 2018, PUK, EAF and EAFSC have been hived up to PEL with the intention that PEL will act as the new trading company for the Group in the United Kingdom.

(f) Management intends to liquidate PUK and EAFSC. The liquidation is in the progress.

(g) Liquidated during the year.

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 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$9,700,000, Congruity shall pay the NTA shortfall, being the difference between US$9,700,000 and the actual FY2018 NTA, in cash to Rockland contemporaneous with the Group's purchase of the remaining 49% membership interest in Rockland.

On 18 November 2018, Procurri LLC entered into an interest purchase agreement with Congruity, contingent on shareholders' approval, to acquire 49% of issued and outstanding equity interests of Rockland held by Congruity LLC for an aggregate purchase consideration of US$22,000,000.

14. INTANGIBLE ASSETS

Group	Goodwill $'000	Customer relationship $'000	Technical know-how $'000	Total $'000
Cost:				
At 1 January 2017	11,978	895	2,598	15,471
Exchange differences	219	39	–	258
At 31 December 2017 and 1 January 2018	12,197	934	2,598	15,729
Exchange differences	(383)	12	–	(371)
At 31 December 2018	11,814	946	2,598	15,358
Accumulated amortisation and impairment:				
At 1 January 2017	–	630	519	1,149
Amortisation for the financial year (Note 9)	–	237	519	756
At 31 December 2017 and 1 January 2018	–	867	1,038	1,905
Amortisation for the financial year (Note 9)	–	79	521	600
At 31 December 2018	–	946	1,559	2,505
Net book value:				
At 1 January 2017	11,978	265	2,079	14,322
At 31 December 2017	12,197	67	1,560	13,824
At 31 December 2018	11,814	–	1,039	12,853

14. INTANGIBLE ASSETS (Continued)

Company	Technical know-how $'000
Cost:	
At 1 January 2017, 31 December 2017 and 2018	2,598
Accumulated amortisation and impairment:	
At 1 January 2017	519
Amortisation charge for the year	519
At 31 December 2017 and 1 January 2018	1,038
Amortisation charge for the year	521
At 31 December 2018	1,559
Net book value:	
At 1 January 2017	2,079
At 31 December 2017	1,560
At 31 December 2018	1,039

Amortisation expense

The amortisation of customer relationship and technical know-how are included in the "Administrative expenses" line item in profit or loss.

Goodwill

Goodwill arising from the acquisitions has been allocated to the following cash generating units ("CGU"):

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
PEL [a]	**9,248**	9,632	9,468
Procurri Malaysia [b]	**2,566**	2,565	2,510
	11,814	12,197	11,978

14. INTANGIBLE ASSETS (Continued)

Goodwill (Continued)

(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 (2017: five-year period). Cash flow projections were based on a three-year budget and plans approved by management. This was further extrapolated for a five-year period. Cash flow projections have been extrapolated on the basis at 5.00% to 20.00% (31.1.2017: 2.00% to 15.00%, 1.1.2017: 20.00% to 31.00%) growth rate on revenue. A terminal growth rate of 1.00% (31.12.2017: 1.00%, 1.1.2017: 1.00%) 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 9.22% (31.12.2017: 9.88%, 1.1.2017: 8.00%) 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 CGU 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 (2017: five-year period). Cash flow projections were based on a three-year budget and plans approved by management. This was further extrapolated for a five-year period. Cash flow projections have been extrapolated on the basis at 0.45% to 15.00% (31.12.2017: -2.91% to 15.00%, 1.1.2017: 20.00% to 39.00%) growth rate on revenue. A terminal growth rate of 2.00% (31.12.2017: 1.00%, 1.1.2017: 1.00%) 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 15.57% (31.12.2017: 10.53%, 1.1.2017: 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 CGU 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	Minimum payments $'000	Finance charges $'000	Present value $'000
31.12.2018			
Minimum lease payments receivable:			
Not later than one year	**915**	**(61)**	**854**
Later than one year and not later than five years	**1,331**	**(27)**	**1,304**
	2,246	**(88)**	**2,158**

15. FINANCE LEASE RECEIVABLES (Continued)

Group	Minimum payments $'000	Finance charges $'000	Present value $'000
31.12.2017			
Minimum lease payments receivable:			
Not later than one year	1,550	(117)	1,433
Later than one year and not later than five years	2,070	(32)	2,038
	3,620	(149)	3,471

Group	Minimum payments $'000	Finance charges $'000	Present value $'000
1.1.2017			
Minimum lease payments receivable:			
Not later than one year	1,466	(167)	1,299
Later than one year and not later than five years	1,781	(104)	1,677
	3,247	(271)	2,976

The average lease term is one to five years (2017: two to five years). The average effective interest rate is 2.98% to 6.78% (31.12.2017: 1.69% to 6.78%, 1.1.2017: 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		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Balance sheet:			
Computer equipment and peripheral equipment held for sale	**21,816**	21,424	15,641
Income statement:			
Inventories recognised as an expense in cost of sales	**105,606**	96,496	
Other inventory charges:			
- Inventories written down (Note 8)	**2,965**	2,748	

17. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Trade receivables						
- Third parties	**50,791**	44,036	36,297	**–**	726	336
Less: Impairment loss	**(1,528)**	(705)	(555)	**–**	–	–
	49,263	43,331	35,742	**–**	726	336
- Amount due from subsidiaries	**–**	–	–	**5,145**	4,312	166
- Amount due from holding companies	**2**	–	–	**–**	–	–
- Amount due from related companies	**4**	25	75	**–**	–	–
Total trade receivables, net	**49,269**	43,356	35,817	**5,145**	5,038	502
Other receivables						
- Third parties	**425**	212	2	**51**	70	473
- Sales tax receivables	**1,069**	1,013	1,052	**–**	–	–
- Advances to staff	**381**	511	773	**–**	–	–
- Indemnification assets	**–**	421	421	**–**	–	–
- Deposit	**702**	996	1,016	**137**	137	131
- Amount due from holding company	**–**	–	2	**–**	–	–
- Amounts due from subsidiaries	**–**	–	–	**695**	1,039	6,012
- Amounts due from related companies	**–**	–	327	**–**	–	–
- Loans to subsidiaries	**–**	–	–	**5,613**	6,789	4,096
- Tax recoverable	**2,550**	2,168	–	**–**	–	–
	5,127	5,321	3,593	**6,496**	8,035	10,712
Less: Impairment loss	**(1,031)**	(330)	–	**–**	–	–
Total other receivables, net	**4,096**	4,991	3,593	**6,496**	8,035	10,712
Total trade and other receivables	**53,365**	48,347	39,410	**11,641**	13,073	11,214
Add: Cash and bank balances (Note 20)	**18,082**	18,459	30,006	**9,655**	5,911	18,170
Less: Sales tax receivables	**(1,069)**	(1,013)	(1,052)	**–**	–	–
Less: Tax recoverable	**(2,550)**	(2,168)	–	**–**	–	–
Total financial assets carried at amortised cost	**67,828**	63,625	68,364	**21,296**	18,984	29,384

17. TRADE AND OTHER RECEIVABLES (Continued)

Trade receivables

Trade receivables are non-interest bearing and generally ranges from 30 to 60 days 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 $727,000 (31.12.2017: $3,480,000, 1.1.2017: $2,726,000) transferred to a factoring bank (Note 22).

Trade and other receivables denominated in foreign currencies are as follows:

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
United States Dollars	**43,598**	35,598	25,480	**9,933**	10,768	7,769
Great Britain Pound	**7,143**	6,614	7,268	**–**	–	–
Euro	**1,780**	1,850	2,081	**–**	–	–
Malaysian Ringgit	**69**	1,645	1,000	**–**	–	–
Chinese Renminbi	**287**	326	42	**–**	–	–
Indian Rupee	**365**	143	–	**–**	–	–

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	
	31.12.2017 $'000	**1.1.2017 $'000**	**31.12.2017 $'000**	**1.1.2017 $'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

17. TRADE AND OTHER RECEIVABLES (Continued)

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	
	31.12.2017 $'000	**1.1.2017 $'000**
Trade and other receivables – nominal amounts	1,867	555
Less: Impairment loss	(1,035)	(555)
	832	–
Movements in allowance for impairment:		
At 1 January	555	
Charge for the year (Note 8)	1,135	
Written off	(655)	
At 31 December	1,035	

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Expected credit losses

The movement in allowance for expected credit losses of trade and other receivables computed based on lifetime ECL are as follows:

	Group 31.12.2018 $'000
Movement in allowance accounts:	
At 1 January	**1,115**
Charge for the year (Note 8)	**2,576**
Written off	**(1,132)**
At 31 December	**2,559**

17. TRADE AND OTHER RECEIVABLES (Continued)

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% (31.12.2017: 2.5% to 5.5%, 1.1.2017: 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 $5,568,000 (31.12.2017: $5,465,000, 1.1.2017: $Nil) that are denominated in USD.

Indemnification assets

The indemnification assets arising from acquisition of 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 $Nil (31.12.2017: $421,000, 1.1.2017: $421,000). Provision for claims is disclosed in Note 23. The indemnification has been released in August 2018.

18. PREPAYMENTS

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Advances to suppliers	**7,788**	4,898	2,550	**–**	1	–
Prepayments	**545**	536	318	**16**	17	11
	8,333	5,434	2,868	**16**	18	11

19. DERIVATIVE FINANCIAL ASSET

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Call option, representing total financial asset at fair value through profit or loss	**1,043**	1,044	–

19. DERIVATIVE FINANCIAL ASSET (Continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Please refer to Note 13(a) for more details on the call option to acquire 49% of issued and outstanding equity interests of Rockland held by Congruity LLC. The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2018 $'000	Valuation techniques	Unobservable inputs	Range (weighted average)
Recurring fair value measurement				
Call option	1,043	Market comparable approach	Price earnings multiples	11.4 times
			Discount for lack of marketability	35%

A significant increase/(decrease) in discount for lack of marketability would result in a significantly lower/(higher) fair value measurement.

The following table shows the impact on the Level 3 fair value measurement of asset that is sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions.

	31 December 2018	
	Effect of reasonably possible alternative assumptions	
	Profit or loss	
	Increase $'000	(Decrease) $'000
Recurring fair value measurement		
At FVPL		
Call option		
Increase/(decrease) price earnings multiples by 0.5 times	1,343	(1,043)
Increase/(decrease) discount for lack of marketability by 5%	2,349	(1,043)

In order to determine the effect of the above reasonably possible alternative assumptions, the Group adjusted the discount for lack of marketability by increasing and decreasing the assumption by 5% and the price earnings multiples by 0.5 times.

19. DERIVATIVE FINANCIAL ASSET (Continued)

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

In 2017, the fair value of the call option is estimated using price earnings multiples 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 multiples 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 Rockland NTA target increased or decreased by 10%, the fair value gain will increase or decrease by $172,000.

(ii) Movements in Level 3 asset measured at fair value

The following table presents the reconciliation for asset measured at fair value based on significant unobservable inputs (Level 3):

	Group	
	Fair value measurements using significant unobservable inputs (Level 3)	
	2018 $'000	**2017 $'000**
Call option:		
1 January	**1,044**	1,044
Total loss for the year included in profit or loss	**(14)**	–
Exchange differences	**13**	–
31 December	**1,043**	1,044

(iii) Valuation policies and procedures

The Group has engaged external valuation expert, PricewaterhouseCoopers LLP ("PwC LLP"), to perform the valuation. The appropriateness of the valuation methodology and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuation. Significant changes in fair value measurements from period to period are evaluated for reasonableness.

20. CASH AND BANK BALANCES

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Cash and bank balances	**18,082**	18,459	30,006	**9,655**	5,911	18,170
Less: Bank overdrafts (Note 22)	**(469)**	–	(548)	**–**	–	–
	17,613	18,459	29,458	**9,655**	5,911	18,170
Less: Pledged deposits	**(1,481)**	(1,450)	(195)	**(1,365)**	(1,336)	–
Less: Fixed deposit	**(5,459)**	(1,336)	(3,000)	**(5,459)**	(1,337)	(3,000)
Cash and cash equivalents	**10,673**	15,673	26,263	**2,831**	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 (31.12.2017: twelve months, 1.1.2017: six months) and earns interest at 1.34% to 3.00% (31.12.2017: 1.21%, 1.1.2017: 1.08%).

Cash and bank balances denominated in foreign currencies are as follows:

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
United States Dollars	**14,267**	11,838	1,626	**9,493**	5,452	99
Great Britain Pound	**555**	2,393	2,690	**–**	–	–
Euro	**86**	1,269	1,208	**–**	–	–
Malaysian Ringgit	**956**	126	959	**–**	–	–
Chinese Renminbi	**296**	103	571	**–**	–	–
Indian Rupee	**368**	519	–	**–**	–	–

21. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Trade payables						
- Third parties	**15,788**	14,787	15,913	**66**	70	145
- Amount due to subsidiaries	**–**	–	–	**4,258**	1,033	427
	15,788	14,787	15,913	**4,324**	1,103	572

21. TRADE AND OTHER PAYABLES (Continued)

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Other payables						
- Third parties	**775**	360	231	**307**	182	134
- Sales tax payable	**1,420**	437	2	**707**	–	–
- Accrued operating expenses	**13,986**	13,019	8,244	**1,063**	611	403
- Amount due to holding company	**277**	551	280	**277**	551	280
- Amount due to subsidiaries	**–**	–	–	**–**	5	4,618
- Loan to subsidiary	**–**	–	–	**69**	448	–
	16,458	14,367	8,757	**2,423**	1,797	5,435
Total trade and other payables	**32,246**	29,154	24,670	**6,747**	2,900	6,007
Add: Loans and borrowing (Note 22)	**14,087**	21,414	18,087	**7,896**	12,616	6,146
Less: Sales tax payable	**(1,420)**	(437)	(2)	**(707)**	–	–
Total financial liabilities carried at amortised cost	**44,913**	50,131	42,755	**13,936**	15,516	12,153

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

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

Trade and other payables denominated in foreign currencies are as follows:

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
United States Dollars	**20,368**	18,995	10,810	**4,999**	1,090	12
Great Britain Pound	**6,573**	6,116	9,118	**–**	–	–
Euro	**731**	1,183	962	**–**	–	–
Malaysian Ringgit	**1,498**	1,575	626	**–**	–	–
Chinese Renminbi	**329**	410	15	**–**	–	–
Indian Rupee	**273**	103	–	**–**	–	–

22. LOANS AND BORROWINGS

	Group			Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**	**31.12.2018 $'000**	**31.12.2017 $'000**	**1.1.2017 $'000**
Current						
Bank loans	**4,302**	4,907	2,960	**3,802**	4,898	2,960
Revolving loans	**–**	–	2,050	**–**	–	–
Bank overdrafts	**469**	–	548	**–**	–	–
Finance lease obligations	**540**	851	868	**–**	–	–
Trade receivables factoring	**727**	3,480	2,726	**–**	–	–
Trust receipts	**3,894**	3,764	4,090	**–**	–	–
Others	**61**	250	365	**–**	–	–
	9,993	13,252	13,607	**3,802**	4,898	2,960
Non-current						
Bank loans	**4,094**	7,718	3,186	**4,094**	7,718	3,186
Finance lease obligations	**–**	444	1,294	**–**	–	–
	4,094	8,162	4,480	**4,094**	7,718	3,186
Total loans and borrowings	**14,087**	21,414	18,087	**7,896**	12,616	6,146

<u>Bank loans</u>

Bank loans are unsecured and covered by a corporate guarantee by certain subsidiaries and repayable in 3 to 36 (31.12.2017: 3 to 36, 1.1.2017: 3 to 44) monthly instalments. The amount bears effective interest rates ranging from 3.46% to 4.63% (31.12.2017: ranging from 3.23% to 5.10%, 1.1.2017: ranging from 2.18% to 4.85%) per annum.

<u>Revolving loans</u>

Revolving loans are unsecured and covered by a corporate guarantee by the holding company and repayable upon maturity. The amount bears effective interest rates of 3.75% per annum in 2017.

<u>Bank overdrafts</u>

Bank overdrafts bear effective interest rate of 4.31% to 5.25% per annum (2017: Nil).

22. LOANS AND BORROWINGS (Continued)

Finance lease obligations

Group	Minimum payments $'000	Finance charges $'000	Present value $'000
31.12.2018			
Minimum lease payments payable:			
Not later than one year	**578**	**(38)**	**540**
Later than one year and not later than five years	**–**	**–**	**–**
	578	**(38)**	**540**
31.12.2017			
Minimum lease payments payable:			
Not later than one year	892	(41)	851
Later than one year and not later than five years	450	(6)	444
	1,342	(47)	1,295
1.1.2017			
Minimum lease payments payable:			
Not later than one year	948	(80)	868
Later than one year and not later than 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 ranges from three to five years (31.12.2017: three years, 1.1.2017: three years). The interest rate for finance lease obligations is approximately 2.00% to 6.67% (31.12.2017: 2.35%, 1.1.2017: 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 $727,000 (31.12.2017: $3,480,000,1.1.2017: $2,726,000,) with recourse. The interest rate for the trade receivables factoring is 2.35% to 2.60% (31.12.2017: 1.85%, 1.1.2017: 2.1%) per annum.

22. LOANS AND BORROWINGS (Continued)

Trust receipts

Trust receipts utilised by certain subsidiaries are secured by a corporate guarantee given by the Company and one subsidiary. The interest rate for the trust receipts is approximately 4.31% to 5.25% (31.12.2017: 3.22% to 3.26%, 1.1.2017: 2.62% to 3.22%) per annum.

A reconciliation of liabilities arising from Group's financing activities excluding bank overdraft is as follows:

	31.12.2017 $'000	Cash flows $'000	Foreign exchange movements $'000	31.12.2018 $'000
Bank loans	12,625	(4,441)	212	**8,396**
Finance lease obligations	1,295	(787)	32	**540**
Trade receivables factoring	3,480	(2,757)	4	**727**
Trust receipts	3,764	68	62	**3,894**
Others	250	(192)	3	**61**
Total loans and borrowings	21,414	(8,109)	313	**13,618**
Amount due to holding company	551	(274)	–	**277**
Total	21,965	(8,383)	313	**13,895**

	1.1.2017 $'000	Cash flows $'000	Acquisition of subsidiary $'000	Foreign exchange movements $'000	31.12.2017 $'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

Loans and borrowings denominated in foreign currencies are as follows:

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
United States Dollars	**11,311**	13,507	4,308	**6,824**	9,358	–
Great Britain Pound	**760**	2,780	3,041	**–**	–	–
Euro	–	551	–	**–**	–	–

23. PROVISIONS

Provision for reinstatement costs

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
At 1 January	**70**	70	70	**–**	–	–
Provision during the year	**65**	–	–	**65**	–	–
At 31 December	**135**	70	70	**65**	–	–

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 will be three years after renewal. (31.12.2017: one to two years, 1.1.2017: two to three years).

Provision for claims

	Group			Company		
	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000	31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
At 1 January	**737**	757	–	**–**	–	–
Arising from acquisition of subsidiary	**–**	–	757	**–**	–	–
Provision during the year	**43**	–	–	**–**	–	–
Adjust against indemnification assets	**(325)**	(32)	–	**–**	–	–
Exchange difference	**(29)**	12	–	**–**	–	–
At 31 December	**426**	737	757	**–**	–	–
Total provisions	**561**	807	827	**65**	–	–

Provision for claims relating to dilapidations claim in respect of a leasehold premises and a potential claim from a supplier, approximately amounted to $426,000 (31.12.2017: $477,000, 1.1.2017: $499,000) and $Nil (31.12.2017: $260,000, 1.1.2017: $258,000) respectively.

Indemnification assets amounting to $Nil (31.12.2017: $421,000, 1.1.2017: $421,000) which arose from acquisition of subsidiary relating to indemnification from shareholders of EAF for dilapidations claim in respect of a leasehold premises is recognised under other receivables from third parties (Note 17). The indemnification has been released in August 2018.

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		
At 1 January 2017	280,000,000	70,068
Issuance of new shares pursuant to performance shares plan	2,056,600	870
At 31 December 2017	282,056,600	70,938
At 1 January 2018	282,056,600	70,938
Issuance of new shares pursuant to performance shares plan	2,632,400	765
At 31 December 2018	284,689,000	71,703

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	Foreign currency translation reserve $'000	Merger reserve $'000	Premium on acquisition of non-controlling interest $'000	Share-based payment reserve (Note 27) $'000	Total $'000
2018					
Opening balance at 1 January 2018 (FRS framework)	**(3,332)**	**(4,420)**	**(15,764)**	**447**	**(23,069)**
Effect of adopting SFRS(I)	**3,063**	**–**	**–**	**–**	**3,063**
Opening balance at 1 January 2018 (SFRS(I) framework)	**(269)**	**(4,420)**	**(15,764)**	**447**	**(20,006)**
Share-based payment	**–**	**–**	**–**	**394**	**394**
Issuance of shares pursuant to PSP	**–**	**–**	**–**	**(765)**	**(765)**
Exchange differences	**(452)**	**–**	**–**	**–**	**(452)**
Closing balance at 31 December 2018	**(721)**	**(4,420)**	**(15,764)**	**76**	**(20,829)**
2017					
Opening balance at 1 January 2017 (FRS framework)	(3,062)	(4,420)	(15,764)	208	(23,038)
Effect of adopting SFRS(I)	3,063	–	–	–	3,063
Opening balance at 1 January 2017 (SFRS(I) framework)	1	(4,420)	(15,764)	208	(19,975)
Share-based payment	–	–	–	1,109	1,109
Issuance of shares pursuant to PSP	–	–	–	(870)	(870)
Exchange differences	(270)	–	–	–	(270)
Closing balance at 31 December 2017	(269)	(4,420)	(15,764)	447	(20,006)

Foreign currency translation 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	
	2018 $'000	2017 $'000
Performance share plan	394	1,109

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 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 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.

27. SHARE-BASED COMPENSATION (Continued)

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.

	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 forfeited/ 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
						$
2017	–	5,414,500	309,600	344,000	4,760,900	0.2907
2018	**4,760,900**	**–**	**2,632,400**	**1,715,700**	**412,800**	**0.2907**

The Company has granted 5,414,500 shares under the Procurri PSP on 18 May 2017. No awards have been granted for the financial year ended 31 December 2018.

Performance share plan reserve

	Group and Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Balance at beginning of the year	**447**	208	–
Expense recognised in profit or loss	**394**	1,109	208
Issuance of shares pursuant to the Procurri PSP	**(765)**	(870)	–
Balance at end of the year	**76**	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).

27. SHARE-BASED COMPENSATION (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 2017 and 2018.

DeClout PSP

DeClout operates a Performance Share Plan (the "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.

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.

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	–	

No awards have been granted under the DeClout PSP for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Group	
	2018 $'000	**2017 $'000**
Holding company:		
Shared services charges	**(367)**	(478)
Other income	**–***	–
Recharge of expenses	**–***	–
Related companies:		
Sales of goods and services	**–***	27
Other income	**–**	11
Support service charges	**(50)**	(72)
Recharge of expenses	**–***	–
Related parties:		
Sales of goods and services	**13,902**	6,684
Purchase of goods and services	**(5,498)**	(2,024)
Trade and other receivables	**15,765**	8,840
Trade and other payables	**(2,531)**	(1,809)

* Less than $1,000

Related parties refer to Congruity and its affiliates which owns 49% equity interest in Rockland (Note 13). Included in trade and other receivables is an amount of $1,463,000 which bears interest at 2.75% per annum.

Compensation of key management personnel

	Group	
	2018 $'000	**2017 $'000**
Salaries and other short-term employee benefits	**3,379**	3,451
Share-based payment	**371**	970
Central Provident Fund contributions	**17**	54
	3,767	4,475
Key management compensation comprises the following:		
Remuneration to directors of the Company	**1,086**	696
Remuneration to other key management personnel	**2,489**	3,378
Director fees	**192**	401
	3,767	4,475

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

Operating lease commitments – as lessee

Operating lease payments are for rentals payable for office and computer equipment, office premises, data centre racks. These leases have an average term of one to twelve years (2017: one to twelve years).

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to $2,544,000 (2017: $2,418,000).

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

	Group	
	2018 $'000	**2017 $'000**
Not later than one year	**2,331**	2,481
Later than one year and not later than five years	**4,645**	4,769
More than five years	**1,238**	1,983
	8,214	9,233

Operating lease commitments – as lessor

Operating lease income commitments are for the managed services receivable and rentals receivable for certain plant and equipment. These leases have an average term of one month to three years (2017: one month to six years).

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

	Group	
	2018 $'000	**2017 $'000**
Not later than one year	**1,268**	914
Later than one year and not later than five years	**267**	1,451
	1,535	2,365

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group and the Company are 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

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.

(a) 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 bank balances), 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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(a) Credit risk (Continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:-

- There is significant difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments and in significant financial difficulties. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

<u>Trade and other receivables</u>

The Group provides for lifetime expected credit losses for all trade and other receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions and expected inflation rates.

Summarised below is the information about the credit risk exposure on the Group's trade and other receivables using provision matrix, grouped by geographical region:

(i) Singapore

		Past due		
	Current $'000	**Less than 90 days $'000**	**More than 90 days $'000**	**Total $'000**
31 December 2018				
Gross carrying amount	1,911	3,688	899	6,498
Loss allowance provision	–	–	(203)	(203)

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(a) Credit risk (Continued)

(ii) Other geographical area

		Past due		
	Current $'000	**Less than 90 days $'000**	**More than 90 days $'000**	**Total $'000**
31 December 2018				
Gross carrying amount	23,755	15,100	10,571	49,426
Loss allowance provision	–	(322)	(2,034)	(2,356)

Information regarding loss allowance movement of trade and other receivables are disclosed in Note 17.

During the year, the Group wrote-off $1,132,000 (2017: $655,000) of trade and other receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Credit risk concentration profile

At the end of the reporting period, approximately 31% (2017: 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 bank balances 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(b) 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.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	One year or less $'000	1 to 5 years $'000	Total $'000
31.12.2018			
Financial assets:			
Trade and other receivables	**53,365**	**–**	**53,365**
Finance lease receivables	**915**	**1,331**	**2,246**
Cash and bank balances	**18,082**	**–**	**18,082**
Total undiscounted financial assets	**72,362**	**1,331**	**73,693**
Financial liabilities:			
Trade and other payables	**32,246**	**–**	**32,246**
Loans and borrowings	**10,255**	**4,149**	**14,404**
Total undiscounted financial liabilities	**42,501**	**4,149**	**46,650**
Total net undiscounted financial assets/(liabilities)	**29,861**	**(2,818)**	**27,043**
31.12.2017			
Financial assets:			
Trade and other receivables	48,347	–	48,347
Finance lease receivables	1,550	2,070	3,620
Cash and bank balances	18,459	–	18,459
Total undiscounted financial assets	68,356	2,070	70,426
Financial liabilities:			
Trade and other payables	29,154	–	29,154
Loans and borrowings	13,735	8,532	22,267
Total undiscounted financial liabilities	42,889	8,532	51,421
Total net undiscounted financial assets/(liabilities)	25,467	(6,462)	19,005

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Group	One year or less $'000	1 to 5 years $'000	Total $'000
1.1.2017			
Financial assets:			
Trade and other receivables	39,410	–	39,410
Finance lease receivables	1,466	1,781	3,247
Cash and bank balances	30,006	–	30,006
Total undiscounted financial assets	70,882	1,781	72,663
Financial liabilities:			
Trade and other payables	24,670	–	24,670
Loans and borrowings	13,955	5,085	19,040
Total undiscounted financial liabilities	38,625	5,085	43,710
Total net undiscounted financial assets/(liabilities)	32,257	(3,304)	28,953

Company	One year or less $'000	1 to 5 years $'000	Total $'000
31.12.2018			
Financial assets:			
Trade and other receivables	**11,641**	**–**	**11,641**
Cash and bank balances	**9,655**	**–**	**9,655**
Total undiscounted financial assets	**21,296**	**–**	**21,296**
Financial liabilities:			
Trade and other payables	**6,747**	**–**	**6,747**
Loans and borrowings	**4,056**	**4,149**	**8,205**
Total undiscounted financial liabilities	**10,803**	**4,149**	**14,952**
Total net undiscounted financial assets/(liabilities)	**10,493**	**(4,149)**	**6,344**

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(b) Liquidity risk (Continued)

Company	One year or less $'000	1 to 5 years $'000	Total $'000
31.12.2017			
Financial assets:			
Trade and other receivables	13,073	–	13,073
Cash and bank balances	5,911	–	5,911
Total undiscounted financial assets	18,984	–	18,984
Financial liabilities:			
Trade and other payables	2,900	–	2,900
Loans and borrowings	5,243	8,042	13,285
Total undiscounted financial liabilities	8,143	8,042	16,185
Total net undiscounted financial assets/(liabilities)	10,841	(8,042)	2,799
1.1.2017			
Financial assets:			
Trade and other receivables	11,214	–	11,214
Cash and bank balances	18,170	–	18,170
Total undiscounted financial assets	29,384	–	29,384
Financial liabilities:			
Trade and other payables	6,007	–	6,007
Loans and borrowings	3,228	3,743	6,971
Total undiscounted financial liabilities	9,235	3,743	12,978
Total net undiscounted financial assets/(liabilities)	20,149	(3,743)	16,406

(c) 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(c) Interest rate risk (Continued)

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	One year or less $'000	1 to 5 years $'000	Total $'000
31.12.2018			
Fixed rate			
Bank loans	**500**	**–**	**500**
Finance lease obligations	**540**	**–**	**540**
Floating rate			
Bank loans	**3,802**	**4,094**	**7,896**
Bank overdrafts	**469**	**–**	**469**
Trust receipts	**3,894**	**–**	**3,894**
Trade receivables factoring	**727**	**–**	**727**
Others	**61**	**–**	**61**
31.12.2017			
Fixed rate			
Bank loans	9	–	9
Finance lease obligations	851	444	1,295
Trust receipts	1,201	–	1,201
Floating rate			
Bank loans	4,898	7,718	12,616
Trust receipts	2,563	–	2,563
Trade receivables factoring	3,480	–	3,480
Others	250	–	250
1.1.2017			
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 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)

(c) Interest rate risk (Continued)

Company	Less than 1 year $'000	1 to 5 years $'000	Total $'000
31.12.2018			
Floating rate			
Bank loan	**3,802**	**4,094**	**7,896**
31.12.2017			
Floating rate			
Bank loan	4,898	7,718	12,616
1.1.2017			
Floating rate			
Bank 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 (2017: 100) basis points lower/ higher with all other variables held constant, the Group's profit before tax would have been $131,000 (2017: $189,000) 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.

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (Continued)

(d) 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 bank balances 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 for foreign currency risk

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	
			2018 $'000	**2017 $'000**
USD/SGD	-	if strengthen by 10% (2017: 10%)	**760**	318
	-	if weaken by 10% (2017: 10%)	**(760)**	(318)
GBP/USD	-	if strengthen by 10% (2017: 10%)	**(40)**	(108)
	-	if weaken by 10% (2017: 10%)	**40**	108
GBP/EUR	-	if strengthen by 10% (2017: 10%)	**(114)**	(138)
	-	if weaken by 10% (2017: 10%)	**114**	138
SGD/USD	-	if strengthen by 10% (2017: 10%)	**8**	186
	-	if weaken by 10% (2017: 10%)	**(8)**	(186)

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue	**154,802**	140,328	**65,434**	41,494	**220,236**	181,822
Cost of sales	**(112,030)**	(101,722)	**(27,703)**	(21,132)	**(139,733)**	(122,854)
Gross profit	**42,772**	38,606	**37,731**	20,362	**80,503**	58,968

Geographical information

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

	Revenue	
	2018 $'000	2017 $'000
Singapore	**31,574**	27,852
Europe, the Middle East and Africa	**63,129**	66,327
Americas	**120,992**	81,948
Others	**4,541**	5,695
	220,236	181,822

31. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

	Non-current assets		
	31.12.2018 $'000	**31.12.2017 $'000**	**1.1.2017 $'000**
Singapore	**20,995**	26,685	11,306
Europe, the Middle East and Africa	**10,239**	10,540	10,209
Americas	**934**	1,248	503
Others	**2,739**	2,729	3,608
	34,907	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 $12,914,000 (2017: $5,162,000) arising from sales by the Hardware and Lifecycle Service business (2017: Lifecycle Service business).

32. DIVIDENDS

	Group and Company	
	2018 $'000	**2017 $'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

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	
	2018 $'000	**2017 $'000**
Loans and borrowings (Note22)	**14,087**	21,414
Less: cash and bank balances (Note20)	**(18,082)**	(18,459)
Net (cash)/debt	**(3,995)**	2,955
Total equity	**69,041**	63,842
Debt-to-capital ratio	**N.M.**	4.6%

N.M. - Not meaningful

34. LITIGATION CASE

The Group's subsidiary, Procurri LLC is potentially exposed to a litigation case through of one of its customers. The claims in the lawsuit arose out of the sale of hardware by Procurri LLC's customer to the plaintiff, which allegedly contained unlicensed software. Procurri LLC supplied the hardware, and although it has not been named directly as a party to the lawsuit, it is taking a proactive approach to oversee the defense of the case to manage its exposure. The case has been fixed for mediation on 29 March 2019. The lawsuit against Procurri LLC's customer is for US$1,300,000 but as at the date of the financial statement, the Group is unable to establish the amount or range of potential loss to Procurri LLC, if any, arising from the above because Procurri LLC's causation nexus remains unestablished at this time.

35. EVENTS AFTER THE END OF THE REPORTING YEAR

(i) On 18 November 2018, the Group announced its intention to acquire the remaining 49% of equity interests of Rockland, for an aggregate purchase price of US$22,000,000.

On 28 February 2019, the acquisition has been approved at the Extraordinary General Meeting. The first payment of US$12,000,000 will be paid in 2019 followed by US$10,000,000 on 31 January 2020. The option to use shares as partial funding is capped at US$4,000,000.

(ii) On 7 March 2019, Peter Frost of Hazelwoods LLP has hereby been appointed as the liquidator for members voluntary liquidation of Procurri UK Limited. The voluntary liquidation is undertaken as part of the internal reorganisation of the Group. This is not expected to have any material impact on the net tangible assets and earnings per share of the Group for the financial year ending 31 December 2019.

(iii) On 19 March 2019, PEL has incorporated a new wholly-owned subsidiary, Procurri GmbH with an authorised issued and paid-up share capital of EUR25,000.

36. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 27 March 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

SHARE CAPITAL INFORMATION

Number of shares	:	284,689,000
Class of shares	:	Ordinary shares
Voting rights	:	On a poll (One vote for each ordinary share)
Number of treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of Shareholders	%	Number of shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	113	14.71	103,600	0.04
1,001 - 10,000	274	35.68	1,792,500	0.63
10,001 - 1,000,000	363	47.27	29,519,450	10.37
1,000,001 AND ABOVE	18	2.34	253,273,450	88.96
Total	**768**	**100.00**	**284,689,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of shares held	%
1	DECLOUT LIMITED	48,000,000	16.86
2	OCBC SECURITIES PRIVATE LTD	42,393,200	14.89
3	SOH CHOOI LAI[a]	38,447,700	13.51
4	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	36,681,878	12.88
5	DBS NOMINEES PTE LTD	13,715,800	4.82
6	RAFFLES NOMINEES (PTE) LIMITED	12,247,922	4.30
7	XU WEN JIONG[b]	11,000,000	3.86
8	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	8,212,900	2.88
9	HONG LEONG FINANCE NOMINEES PTE LTD	7,500,000	2.63
10	TAN WEI MENG	6,925,150	2.43
11	CITIBANK NOMINEES SINGAPORE PTE LTD	6,503,900	2.28
12	SING INVESTMENTS & FINANCE NOMINEES PTE LTD	4,284,900	1.51
13	OAN CHIM SENG	4,158,000	1.46
14	OLIJA HOLDINGS PTE LTD	3,500,000	1.23
15	OPTIMUS CAPITAL INTERNATIONAL LIMITED	3,000,000	1.05
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,813,600	0.99
17	PHANG CHEE CAN	2,700,000	0.95
18	LIEW CHEE KONG	1,188,500	0.42
19	F H LEE HOLDINGS PTE LTD	1,000,000	0.35
20	HSBC (SINGAPORE) NOMINEES PTE LTD	964,000	0.34
Total		**255,237,450**	**89.64**

Notes:

[a] As at 29 March 2019, the legal title to 37,000,000 shares, representing approximately 13.00% of the total issued shares of Procurri, were held by Soh Chooi Lai for A.C.T. Holdings Pte. Ltd. pending the transfer of the legal title of such shares to A.C.T. Holdings Pte. Ltd. being affected.

[b] As at 29 March 2019, the legal title to 11,000,000 shares, representing approximately 3.86% of the total issued shares of Procurri, were held by Xu Wen Jiong for A.C.T. Holdings Pte. Ltd. pending the transfer of the legal title of such shares to A.C.T. Holdings Pte. Ltd. being affected.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2019

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	48,000,000	16.86	-	-
NTCP SPV VII[(1)]	36,319,978	12.76	-	-
NOVO TELLUS PE FUND 2, L.P.[(2)]	-	-	36,319,978	12.76
TOH BAN LENG JAMES[(3)(7)]	-	-	84,319,978	29.62
LOKE WAI SAN[(4)]	-	-	36,319,978	12.76
KEITH HSIANG-WEN TOH[(5)]	-	-	36,319,978	12.76
A.C.T. HOLDINGS PTE LTD[(6)]	-	-	84,319,978	29.62
KHOO LAY KEE[(8)]	-	-	84,319,978	29.62
SERENE TOH SOO LING[(9)]	-	-	84,319,978	29.62
TOH SOO CHIN MERLENE[(10)]	-	-	84,319,978	29.62
NEW EARTH GROUP 2 LTD[(11)]	-	-	36,319,978	12.76
IRRUCORP PTE. LTD.	33,995,000	11.94	-	-
THOMAS SEAN MURPHY[(12)]	2,218,000	0.77	33,995,000	11.94
EDWARD JOHN FLACHBARTH[(13)]	1,093,000	0.38	33,995,000	11.94

Notes:

(1) On 15 February 2019, DeClout Limited had granted Novo Tellus PE Fund 2, L.P. ("NT Fund 2") an option to purchase 36,319,978 shares ("Option Shares") in Procurri Corporation Limited ("Procurri"). Pursuant to Section 4(7) of the Securities and Futures Act, NT Fund 2 was deemed to have an interest in the Option Shares. On 18 March 2019, NT Fund 2 exercised the option to purchase, and designated NTCP SPV VII, its wholly-owned subsidiary, as its nominee and transferee of the Option Shares. As at 29 March 2019, the shares have been transferred to NTCP SPV VII.

(2) DeClout Limited has granted NT Fund 2 an option to purchase, and NT Fund 2 has granted DeClout Limited an option to require NT Fund 2 to purchase 36,319,978 Option Shares in Procurri for an aggregate purchase consideration of S$11,985,592.74. Pursuant to Section 4(7) of the Securities and Futures Act, NT Fund 2 is deemed to have an interest in the Option Shares.

(3) Toh Ban Leng James is deemed to be interested in the shares of Procurri by virtue of his greater than 20% ownership in NT Fund 2.

(4) New Earth Group 2 Ltd ("NEG 2") is the general partner (manager) of NT Fund 2, and therefore NEG 2 has an interest in the securities that NT Fund 2 is interested in. Loke Wai San is deemed to be interested in the shares of Procurri by virtue of his greater than 20% ownership in NT Fund 2's manager, NEG 2.

(5) NEG 2 is the general partner (manager) of NT Fund 2, and therefore NEG 2 has an interest in the securities that NT Fund 2 is interested in. Keith Hsiang-Wen Toh is deemed to be interested in the shares of Procurri by virtue of his greater than 20% ownership in NT Fund 2's manager NEG 2.

(6) A.C.T. Holdings Pte Ltd ("ACT") is deemed to be interested in the shares of Procurri by virtue of its greater than 20% ownership in NT Fund 2. The deemed interest of ACT immediately before the transaction was disclosed arises from its two put and call options to purchase 11,000,000 and 37,000,000 shares in Procurri granted by Xu Wen Jiong and Soh Chooi Lai respectively. Please also refer to footnotes (a) and (b) of the notes to the "Twenty Largest Shareholders" for further details on such put and call options.

(7) ACT is deemed to be interested in the shares of Procurri by virtue of its greater than 20% ownership in NT Fund 2. Toh Ban Leng James is also deemed to be interested in the shares of Procurri by virtue of his not less than 20% ownership in ACT.

(8) ACT is deemed to be interested in the shares of Procurri by virtue of its greater than 20% ownership in NT Fund 2. Khoo Lay Kee, Mdm, is deemed to be interested in the shares of Procurri by virtue of her not less than 20% ownership in ACT.

(9) ACT is deemed to be interested in the shares of Procurri by virtue of its greater than 20% ownership in NT Fund 2. Serene Toh Soo Ling, is deemed to be interested in the shares of Procurri by virtue of her not less than 20% ownership in ACT.

(10) ACT is deemed to be interested in the shares of Procurri by virtue of its greater than 20% ownership in NT Fund 2. Toh Soo Chin Merlene, is deemed to be interested in the shares of Procurri by virtue of her not less than 20% ownership in ACT.

(11) NEG 2 is the general partner (manager) of NT Fund 2, and therefore NEG 2 has an interest in the securities that NT Fund 2 is interested in.

(12) 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, Cap 50.

(13) 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, Cap 50.

PUBLIC FLOAT

Based on the information available to the Company as at 29 March 2019, approximately 38.4% 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 Suntec Singapore International Convention & Exhibition Centre, Room 311, 2 Raffles Boulevard, Singapore 039593 on Monday, 29 April 2019 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 2018 and the Directors' Statement and the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect the following Directors retiring pursuant to the Regulation 117 of the Company's constitution.

   (a) Mr. Ng Loh Ken Peter **(Resolution 2a)**
   (b) Mr. Wong Quee Quee, Jeffrey **(Resolution 2b)**

   Mr. Ng Loh Ken Peter will, upon re-election as a Director of the Company, remain as the Chairman of Audit Committee, member of the Remuneration and Nominating Committees, and shall be considered as independent for the purposes of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**").

   Mr. Wong Quee Quee, Jeffrey will, upon re-election as a Director of the Company, remain as the Chairman of Nominating Committee, member of the Audit and Remuneration Committees, and shall be considered as independent for the purposes of Rule 704(8) of the Listing Manual.

   [See Explanatory Note (a)]

3. To appoint Mr. Loke Wai San as a Non-Executive, Non-Independent Director of the Company.

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

4. To approve the payment of Directors' fees of up to S$422,978 for the financial year ending 31 December 2019 (2018: S$192,000).

   [See Explanatory Note (c)] **(Resolution 4)**

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

   (Resolution 5)

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, 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 6)**

8. 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 (e)] **(Resolution 7)**

9. 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 (f)] **(Resolution 8)**

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

12 April 2019

Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(a) The key information of Mr. Ng Loh Ken Peter and Mr. Wong Quee Quee, Jeffrey can be found in the "Board of Directors" section and at paragraph 4.8 of the "Board Membership" section of the Governance Report of the Annual Report. Both of them, if re-appointed as Director of the Company (pursuant to ordinary resolutions 2a and 2b respectively), will remain as Directors of the Company.

Save for:

(I) Their respective shareholding interests, direct or indirect, in the Company;

there are no relationships including immediate family relationships between Mr. Ng Loh Ken Peter and Mr. Wong Quee Quee, Jeffrey and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

(b) The Company has on 21 March 2019 received a Letter of Nomination from the substantial shareholder, Novo Tellus Capital Partners, for the appointment of Mr. Loke Wai San as a Director of the Company. The Nominating Committee ("NC") had reviewed Mr. Loke Wai San's resume, skills set, commitment to the Company and other criteria and has recommended to the Board, subject to Shareholders' approval, the appointment of Mr. Loke Wai San as a Non-Executive, Non-Independent Director of the Company at the Annual General Meeting. The Board concurred with the recommendation of the NC and recommends that Shareholders approve the appointment of Mr. Loke Wai San as a proposed new director at the Annual General Meeting. The key information of Mr. Loke Wai San can be found at paragraph 4.8 of the "Board Membership" section of the Governance Report of the Annual Report.

(c) The ordinary resolution 4 is to request Shareholders' approval for the directors' fees which includes S$116,978 (in share base) for the financial year ending 31 December 2019. The directors had voluntarily decided not to receive the share-based fees of a similar amount for the year ended 31 Dec 2018 due to losses in FY2017. The share-based fees do not apply to Mr. Loke Wai San. In the event the Directors' fees proposed for the financial year ending 31 December 2019 are insufficient (e.g. due to enlarged Board size, etc), approval will be sought at next year's AGM for additional fees to meet the shortfall. If the ordinary resolution 7 is not passed, the directors' fees in share base of S$116,978 would be paid in the form of cash.

(d) The ordinary resolution 6 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 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.

(f) The ordinary resolution 8 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.

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.

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.

PROCURRI CORPORATION LIMITED

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

PROXY FORM

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
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 annual general meeting dated 12 April 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 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 Suntec Singapore International Convention & Exhibition Centre, Room 311, 2 Raffles Boulevard, Singapore 039593 on Monday, 29 April 2019 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 2018 and the Directors' Statement and the Auditors' Report thereon		
2a.	Re-election of Mr. Ng Loh Ken Peter as a Director of the Company		
2b.	Re-election of Mr. Wong Quee Quee, Jeffrey as a Director of the Company		
3.	Appointment of Mr. Loke Wai San as a non-executive, non-independent Director of the Company		
4.	Payment of Directors' fees of up to S$422,978 for the financial year ending 31 December 2019		
5.	Re-appointment of Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
6.	Authority to allot and issue shares		
7.	Authority to grant share awards, allot and issue shares under the PSP		
8.	Authority to grant share options, allot and issue shares under the ESOS		

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 CDP Register	
In Register of Members	

____
Signature(s) of Member(s)/Common Seal

IMPORTANT: Please read notes overleaf

PROXY FORM

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 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 Company's Share Registrar's office 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.

8. 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.

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, 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.

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

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

REMUNERATION COMMITTEE

Ho Chew Thim (Chairman)
Ng Loh Ken Peter
Wong Quee Quee, Jeffrey

NOMINATING COMMITTEE

Wong Quee Quee, Jeffrey (Chairman)
Ho Chew Thim
Ng Loh Ken Peter

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

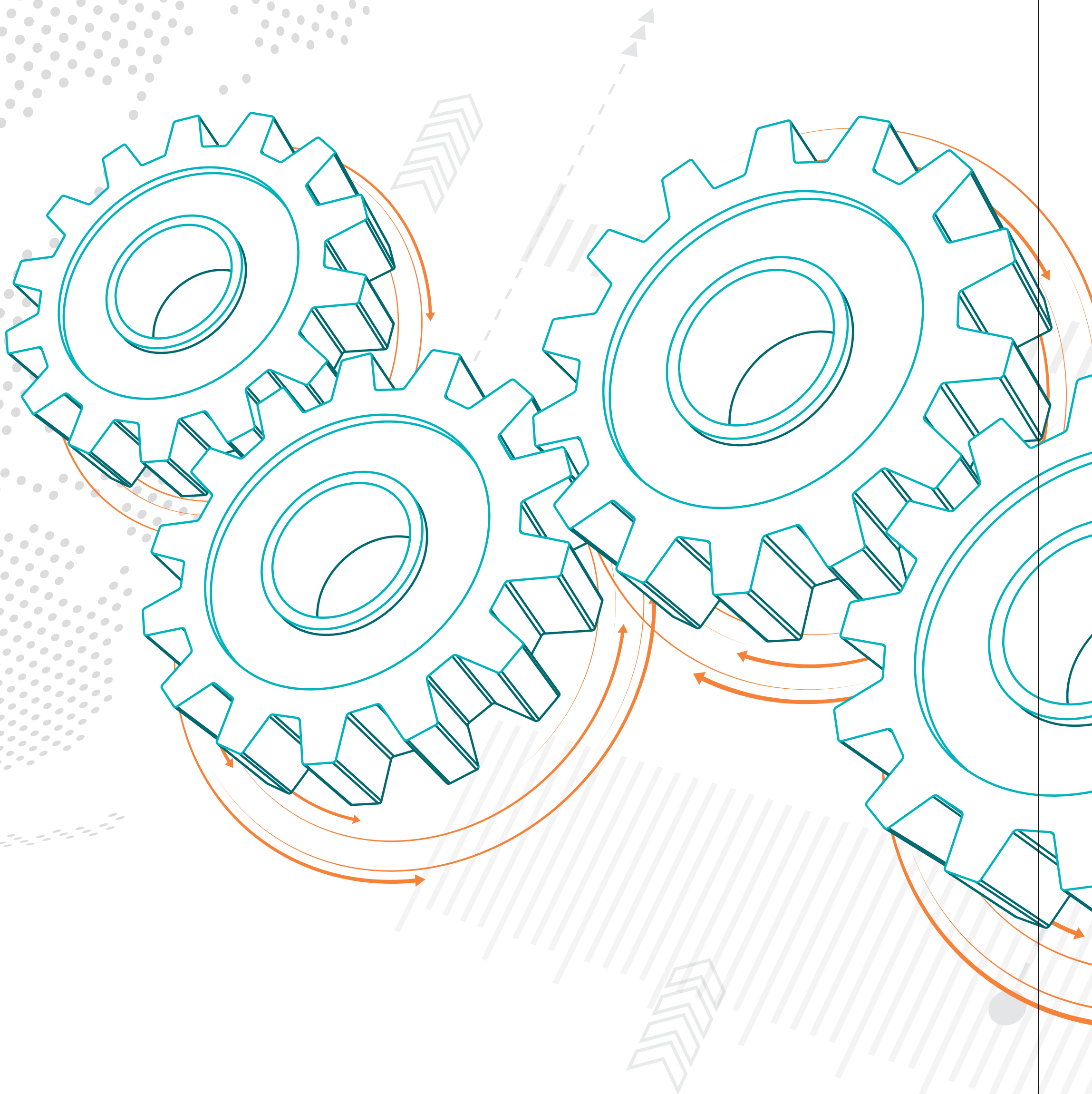
Stock Codes
Bloomberg: PROC SP EQUITY
Reuters: PROC.SI
SGX: BVQ

INVESTOR RELATIONS

For enquiries, please contact Procurri's Investor Relations at +65 6486 1300 or ir@procurri.com

Procurri Corporation Limited

Annual Report 2018



P R O C U R R I

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

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

www.procurri.com