PROCURRI

UNLOCKING **THE CLOUD OPPORTUNITIES**

ANNUAL REPORT **2019**

CONTENTS

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 deliver the best total cost of ownership for data centre hardware

Procurri is a global channel focused company. Our mission is to help enterprises transition to the cloud. With our three offerings, third-party maintenance, IT asset disposition ("**ITAD**"), and cost-effective enterprise hardware, we help the channel community bring the cloud closer.

UNLOCKING OUR CORE VALUES

EXCELLENCE

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

Listed on the Main Board of Singapore Exchange Securities Trading Limited since 20 July 2016, Procurri is a leading global independent provider of IT lifecycle services and data centre equipment.

The Group's platform acts as a global aggregator for businesses to purchase, dispose and manage the lifecycle of enterprise hardware, including services such as maintenance, leasing and rental, in over 100 countries through its global network of 21 offices and extensive partner locations.

- First player in a highly fragmented market to be publicly listed
- Coverage in more than 100 countries
- Over 420 employees

Our Offices

Our Coverage

Global Headquarters

S$221.3M
REVENUE

S$80.1M
GROSS PROFIT

S$17.3M
EBITDA

21 OFFICES

100+ COUNTRIES UNDER COVERAGE

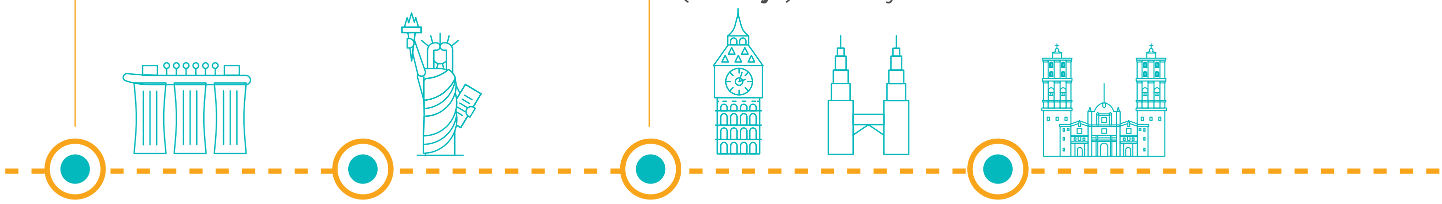
420+ EMPLOYEES

S$3.8M
NET PROFIT AFTER TAX

S$149.9M
TOTAL ASSETS

S$46.7M
SHAREHOLDERS EQUITY

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

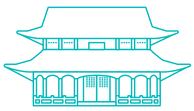
March
Launch of global brand “Procurri” and rebranded Tindirect, Verity and ASVIDA Asia to Procurri UK, Procurri Malaysia and Procurri Singapore respectively

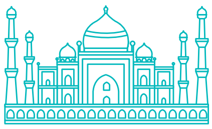
2016

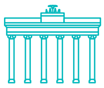
March
Incorporation of Procurri (Beijing) Co., Ltd. in Beijing, the PRC

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

February
Establish ITAD division to deliver a global solution

March
Incorporation of Procurri GmbH in Germany

Acquisition of balance 49% of Rockland Congruity LLC in the US, thereby becoming a wholly owned subsidiary

December
Incorporation of Procurri Canada Limited

MESSAGE FROM THE CHAIRMAN & GLOBAL CEO

Cloud is one of the fastest-growing segments in IT and especially in increasingly volatile times, such as the Covid-19 global pandemic, migration to the cloud will accelerate as an essential and strategic component to mitigate risks due to the flexibility it offers. During these evolving times, we have established Procurri's mission to enhance the entire IT supply chain. Our IT distribution businesses have been able to quick ship infrastructure and our maintenance division continues to provide critical services to keep things running. It is evident that whatever strategy implemented by companies for faster cloud adoption, IT asset disposition will be at the center of this evolution and Procurri will be there to help companies navigate into the future.

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors (the "**Board**") of Procurri Corporation Limited ("**Procurri**" and together with its subsidiaries, the "**Group**"), I am pleased to present the annual report for the financial year ended 31 December 2019 ("**FY2019**").

GLOBAL OUTLOOK: EYES ON THE CLOUD OPPORTUNITIES

FY2019 was the banner year for cloud computing[1], with cloud adoption becoming mainstream as enterprises adapt their strategies, look for flexible and efficient ways to move their workloads to the cloud to stay relevant in an increasingly digital business environment. This formidable driving force that's set to grow further will spur demand for cloud-related services, boding well for Procurri, one of the world's leading global cloud service providers.

1 https://www.ibm.com/blogs/cloud-computing/2019/12/12/cloud-2020-trends/

Against these major opportunities, Procurri embarked on a scale-up strategy in 2019, capping several milestones. In March 2019, we welcomed industrial tech-focused Southeast Asian private equity investor, Novo Tellus Capital Partners ("**Novo Tellus**"), onboard, looking to leverage Novo Tellus' strategic input to propel our expansion. In April 2019, we finalised the acquisition of Rockland Congruity LLC ("**Rockland**"), giving us full control to further bolster our capabilities and competitiveness in the third-party maintenance industry.

During the first half of 2019, we also began making heavy investments to boost our in-house capabilities and infrastructures to grow our IT asset disposition ("**ITAD**") business. The team of experienced ITAD professionals' early results have shown a strong momentum towards future growth. At the same time, we continued to strike more partnerships with top tier OEMs and channel partners like Nutanix and PureWRX to expand our network.

OUR FINANCIAL RESULTS

While these expansionary efforts will bring returns in the long run, the increased investments impacted Procurri's bottom line for FY2019. This was further

Procurri delivers compelling value across the IT lifecycle

Our global solutions	**IT Distribution** Procurri sells authorized high value, remanufactured IT equipment on behalf of the OEM's.	**Third-Party Maintenance** Procurri provides IT maintenance services covering multiple brands (including equipment that is past OEM warranty period).	**IT Asset Disposition ("ITAD")** Procurri removes/ wipes data from, and resells/recycles used IT equipment.	**Migration Services**
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.		**Lower installation cost & risk** Procurri provides services to help customers migrate critical enterprise data into new/upgraded IT equipment.
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.	**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).	
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).	**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.

MESSAGE FROM THE CHAIRMAN & GLOBAL CEO

exacerbated by the completion of low margin enterprise hardware sales during the fourth quarter as the Group cleared aged stocks to avoid costly stock write-downs.

With lower contributions from APAC, our IT Distribution segment's revenue declined from S$154.8 million in FY2018 to S$149.8 million in FY2019. Our revenue from the Lifecycle Services, on the other hand, increased by 9.3% from S$65.4 million in FY2018 to S$71.5 million in FY2019. Overall, revenue inched up by 0.5% to S$221.3 million for FY2019 (FY2018: S$220.2 million), with gross profit dipping by 0.5% year-on-year to S$80.1 million in FY2019, as compared with S$80.5 million in FY2018.

BUILDING WORLD-CLASS BUSINESSES

Procurri is all about building world-class businesses to disrupt the global technology-buying market. Executing our strategy to upgrade and grow our capabilities have yielded benefits, with increasing strategic interests in our businesses from leading market participants.

Park Place Technologies, LLC, ("**Park Place**"), for instance, made an unsolicited bid for our Third-Party Maintenance ("**TPM**") Business in November 2019. As this presented a highly accretive deal opportunity for Procurri shareholders, we began preliminary divestiture discussions. However, the deal was eventually terminated due to the challenge of arriving at the right structure and price.

This potential deal is a testament to the value of our maintenance portfolio and we believe that our TPM business is not a standalone business. At Procurri, all three business segments — IT Distribution, TPM, and ITAD — are, in fact, complementary. It is thus necessary to build all of them together, bringing them under one global umbrella so as to create a robust and efficient platform for our mix of channel partners globally.

By investing and developing our ITAD capabilities during the year, we were able to clinch a lucrative partnership deal with Ingram Micro in December 2019. This strategic partnership will see us collaborating with Ingram to bring a complete global ITAD solution across over 80 countries, thereby further fortifying our position as a leading player in the global ITAD market.

STRENGTHENING AND SOLIDIFYING

Looking ahead to 2020, there are already ample signs of turbulences. The rapidly evolving COVID-19 outbreak situation, for one, might destabilise the IT supply chains, bringing both risks as well as opportunities for Procurri.

We stand ready with our large inventory of data centre equipment to help our customers through this time of global supply chain disruption. To insure for the health and safety of our employees, we have put in place several stringent precautionary measures as well as business continuity plans to tide through this choppy period.

Nevertheless, we expect cloud technology to continue to usher in wider opportunities. Envisioning a clear pathway ahead, we aim to drive various strategic initiatives to solidify existing infrastructure, fine-tune internal systems, and enhance efficiency through operational consolidation. We believe that it is important to remain focused on long-term growth and channel network expansion while staying ever-vigilant on short-term headwinds to manoeuvre through these perilous times.

APPRECIATION

It is heartening to see some of our efforts yielding fruits. We are confident that we will emerge through these short-term pains to thrive in the long run on the back of solid demand. Gartner[2] expects the resale, maintenance, and disposition of equipment within the data centre market to hold significant potential going forward.

We are grateful to our shareholders, customers, and business partners for their trust and continued support through these times of transformation. On behalf of the Board, I would especially like to thank all our employees at Procurri for their dedication and their hard work alongside us as we ready ourselves for the next arc of growth.

Sean Murphy
Chairman and Global CEO

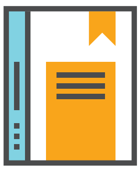
2 https://www.gartner.com/en/newsroom/press-releases/2019-10-23-gartner-says-global-it-spending-to-grow-3point7-percent-in-2020

INDUSTRY TRENDS

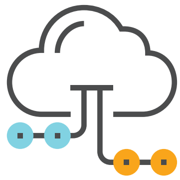
Increasing acceptance of the secondary IT equipment market with more Original Equipment Manufacturers ("**OEM**") endorsing the sale of certified refurbished or excess equipment.

Increasing importance of return on investment and impact of depreciation from IT infrastructure due to driving shift from capital expenditure to operating expenditure-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 service 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

IT DISTRIBUTION

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.

PROCURRI

INDEPENDENT MAINTENANCE SERVICES

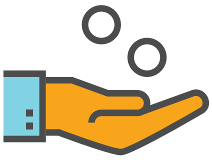
With our multi-vendor expertise in extending maintenance support for new, out-of-warranty and end-of-life IT equipment, our global team of product certified engineers ensures a consistent level of service worldwide from a single point of contact.

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 IT Distribution, or to retire equipment with certified data sanitisation and sustainable e-waste disposal services.

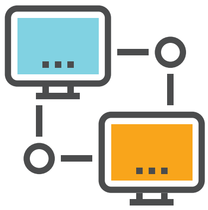
OFFERING CHANNEL PARTNERS:
A preferred partner to global OEMs, Value-Added Resellers, System Integrators, Cloud Services Providers & Managed Services Providers

QUALITY ASSURANCE



COST SAVINGS

GLOBAL COVERAGE



MULTI-PLATFORM EXPERTISE

PARTNERING WITH CHANNEL PARTNERS PROVIDE HOLISTIC SOLUTIONS
Serving global MNCs and enterprises across all major industries:

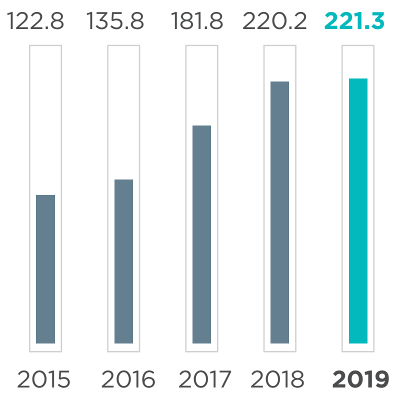
- Healthcare
- Security
- Telecommunications
- Manufacturing
- Banking & Finance
- Information Technology

5-YEAR FINANCIAL HIGHLIGHTS

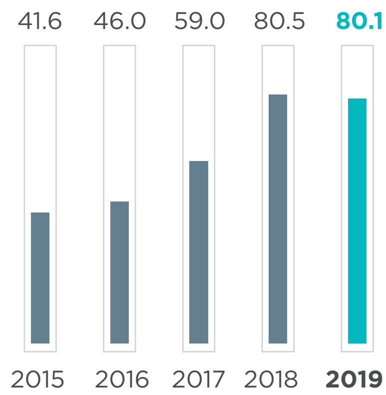
Financial year ended 31 December	2019	2018	2017	2016	2015
Income Statement (S$'000)					
Revenue	**221,289**	220,236	181,822	135,750	122,814
Gross Profit	**80,103**	80,503	58,968	46,037	41,622
EBITDA	**17,345**	19,737	6,914	12,776	13,571
Profit before Tax	**4,737**	10,077	(2,276)	7,614	9,997
Net Profit after Tax	**3,775**	5,337	(2,749)	5,139	8,772
Balance Sheet (S$'000)					
Inventories	**26,354**	21,816	21,424	15,641	11,168
Total Assets	**149,914**	141,326	140,571	117,081	81,367
Total Loans & Borrowings	**16,693**	14,087	21,414	18,087	18,516
Total Liabilities	**103,214**	72,285	76,729	49,999	47,043
Total Equity	**46,700**	69,041	63,842	67,082	34,324
Cash Flow (S$'000)					
Cash Flows from Operating Activities	**18,413**	11,037	13,381	(624)	4,963
Cash Flows from Investing Activities	**(1,148)**	(7,004)	(26,254)	(861)	(8,581)
Cash Flows from Financing Activities	**(16,231)**	(9,061)	2,274	23,654	1,665
Per Share Information (Singapore Cents)*					
Earnings per Share – Basic	**1.33**	1.89	(0.98)	2.12	4.34
Net Tangible Asset per Share	**11.60**	19.74	17.73	18.84	8.25
Net Assets Value per Share	**16.40**	24.25	22.63	23.96	16.26
Number of Shares ('000)	**284,689**	284,689	282,057	280,000	211,120
Ratios					
Debt-to-Equity Ratio	**(0.008)**	(0.06)	0.05	(0.18)	0.40
Current Ratio	**1.24**	1.57	1.45	2.09	1.29

* As at 31 December of the respective years

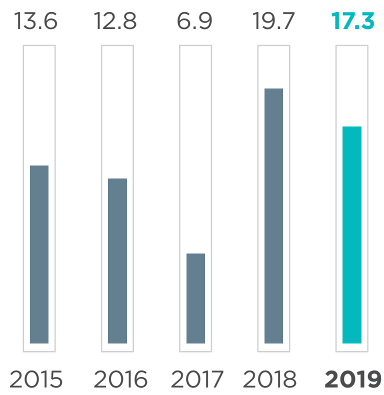
REVENUE (S$million)
+0.5%



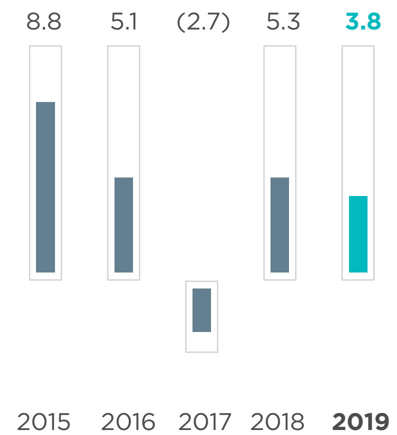
GROSS PROFIT (S$million)
-0.5%



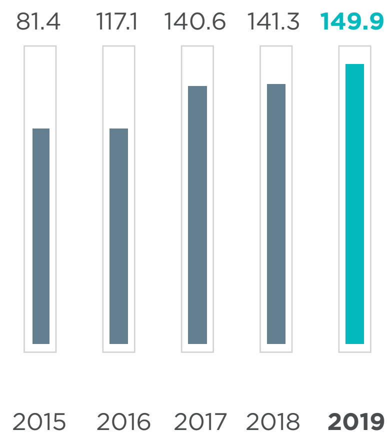
EBITDA (S$million)
-12.1%



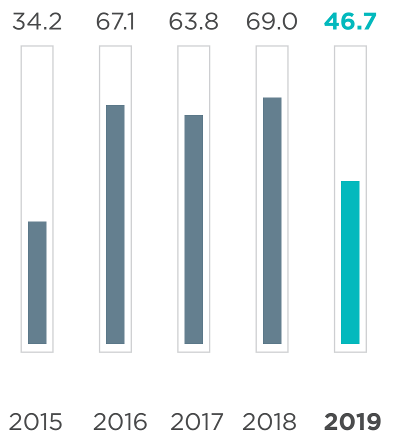
NET PROFIT AFTER TAX (S$million)
-29.3%



TOTAL ASSETS (S$million)
+6.1%



SHAREHOLDERS' EQUITY (S$million)
-32.3%



FINANCIAL REVIEW

Revenue increased by 0.5% year-on-year ("**YoY**") to S$221.3 million in FY2019. While revenue from the IT Distribution business slipped 3.3% YoY to S$149.8 million, the Lifecycle Services business revenue grew 9.3% YoY to S$71.5 million for FY2019, leading to a net increase in the overall Group revenue.

Geographically, the Americas continued to be the key driver of the Group's revenue, growing 1.9% YoY to S$123.3 million for FY2019 and accounting for 55.7% of the Group's revenue. The Group's operations in Europe, Middle East and Africa ("**EMEA**") rose 12.5% YoY to S$71.0 million in FY2019. On the other hand, the Asia Pacific ("**APAC**"), comprising contributions from Singapore and others, fell by 25.2% YoY to S$27.0 million for FY2019.

Gross profit for FY2019 tapered marginally from S$80.5 million in FY2018 to S$80.1 million in FY2019, due primarily to several low margin IT Distribution deals completed in the fourth quarter to mitigate costly stock write-downs. Gross profit margin also stayed relatively flat, dipping 0.4% YoY to 36.2% in FY2019.

Administrative expenses edged up by S$4.3 million to S$54.3 million in FY2019, owing to increased staff administrative expense, increased depreciation of the right-of-use assets and the reclassified indirect tax expenses as administrative expenses.

Finance cost increased by S$0.8 million as a result of higher borrowings and the increase in interest expense for leases liabilities resulting from the adoption of SFRS(I) 16, where the Group recognised operating leases as a liability and separately recognised the interest expense on the lease liability. The depreciation of right-of-use asset increased as a result of a higher renewed office rent in Singapore and a new office in the Americas.

Selling expenses increased by S$1.8 million to reach S$18.0 million due to higher staff pay-outs in the Americas and EMEA.

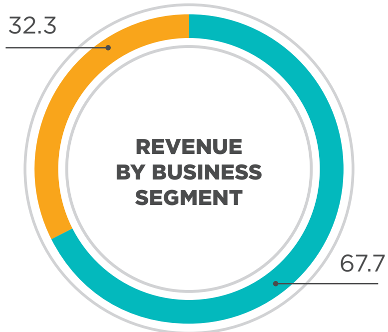
As a result of the above, net profit for the Group declined from S$5.3 million in FY2018 to S$3.8 million for FY2019.

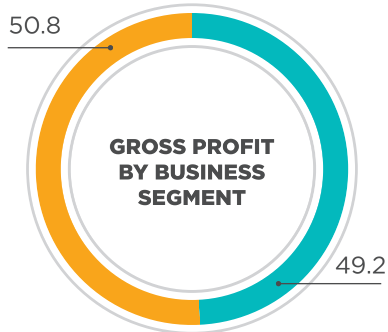
LIFECYCLE SERVICES

Revenue from Lifecycle Services grew by 9.3% YoY from S$65.4 million in FY2018 to S$71.5 million in FY2019, accounting for 32.3% of total revenue. In line with revenue growth, gross profit for Lifecycle Services increased 7.8% YoY to S$40.7 million for FY2019. While gross profit margin slipped 0.8% to 56.9% in FY2019, the margin is still within the Group's expectation for the Lifecycle Services business.

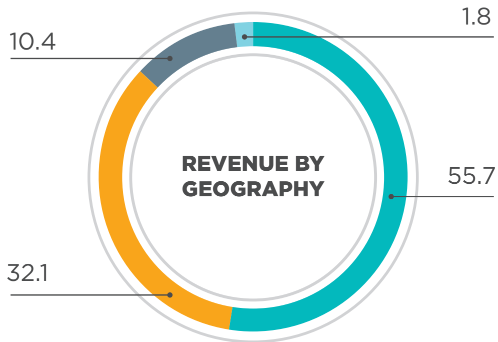
IT DISTRIBUTION

Revenue for IT Distribution declined by 3.3% YoY to S$149.8 million for FY2019, primarily due to a lower contribution from APAC. Gross profit declined 7.8% YoY to S$39.4 million mainly due to several low margin IT Distribution deals in 4Q2019 in order to move aged inventories and investment to scale up the IT Asset Disposition ("**ITAD**") business. Correspondingly, gross profit margin decreased by 1.3% YoY from 27.6% in FY2018 to 26.3% in FY2019.





IT Distribution   Lifecycle Services



Americas   EMEA   Singapore   Others

OPERATIONS REVIEW

Asia Pacific ("APAC")

Impacted by increased competition, revenue fell by 25.2% YoY from S$36.1 million in FY2018 to S$27.0 million in FY2019, accounting for 12.2% of the Group's revenue.

Our IT Distribution segment's revenue fell 39.5% YoY due to the termination of a certain line of high-volume low margin IT Distribution business leading to a 23.2% decline in gross profit. Gross profit margin, grew from 23.7% in FY2018 to 30.1% in FY2019, a testament to the Group's efforts in boosting overall profitability.

Our Lifecycle Services business remained relatively consistent YoY with a slight decrease in revenue of approximately 9.7%, owing to decreasing third-party maintenance services YoY amidst growing competition.

Looking to re-group, APAC operations made steady headway in 2019, successfully transforming its operations from the previous silo-ed approach into one collaborative APAC team. To that end, we have restructured the entire operations from the operations team, accounting employees to the sales team across the entire APAC region to merge under one common umbrella, working towards one consistent growth strategy. Sales representatives, for instance, are no longer bound by country but are able to sell across the APAC region extending their sales potential.

Furthermore, we continue to fortify our operational efficiency mainly through labour reorganisation and keeping a tight control on operating costs to decrease our overall operational expenses from S$8.9 million in FY2018 to S$7.4 million in FY2019. We have also added a warehouse in India to expand our capabilities in the region.

Moving ahead, while opportunistic expansion growth remains an option, we believe that 2019's significant operational transformations have strengthened our existing hubs' efficiencies to deliver across the APAC region, setting us up on the next growth trajectory.

REVENUE (S$million)
S$27.0m
-25.2%

OPERATIONS REVIEW

Europe, Middle East and Africa ("EMEA")

Revenue from EMEA reversed the previous decline, growing 12.5% YoY from S$63.1 million in FY2018 to S$71.0 million in FY2019, as we saw continued growth within our maintenance offering and authorised spares programmes. Overall, EMEA was the second largest revenue contributor, accounting for 32.1% of the total revenue.

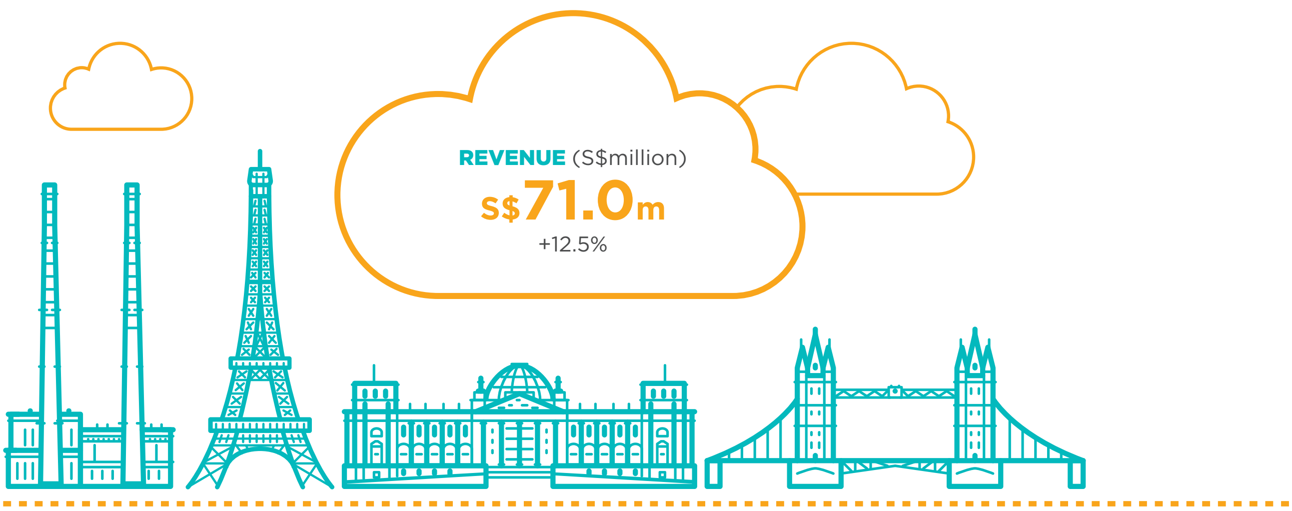
Procurri Europe has continued to grow the HPE authorised parts provider revenues during 2019 from circa S$6.4 million in 2018 to nearer S$11.5 million in 2019, in part due to our tenacious sales approach targeting the Value-Added Reseller ("**VAR**") and Business Partner ("**BP**") community but also as a consequence of one of the more significant distributors backing out of the programme. We have just been awarded the highest reseller status within the HPE authorised parts programme, one of only two companies within Europe to do so.

Our hardware resale team continues to be the most significant contributor to the Procurri Europe numbers, although trending over time to be a less significant percentage contributor. The ambition is to maintain traditional IT Distribution business and see other business lines outgrow it as we progress.

2019 saw major investments in our Lifecycle Services business, from the expansion of our maintenance service delivery team, bid team and field engineering teams to the addition of the Network Operations Centre ("**NOC**") room, leading up to a growth in revenue from S$7.9 million in 2018 to S$12.2 million in 2019 (54.6% growth YoY).

We also started to build our ITAD business in 2019. To that end, we refitted part of the Warrington (Northern) processing plant to accommodate this business stream, specifically the demonstratable separation between data bearing and non-data bearing assets. The refit leaves Procurri Europe with one of the most significant ITAD centres in the UK. Revenue from our ITAD business grew from nil to circa S$70,000 gross margin contribution per month, throughout the year.

In seeking to extend our reach in Europe, Germany has been a large focus in 2019. Staying mindful of cost, we have been registering, locating premises and fitting them out for purpose, recruiting and are confident that Procurri Germany will become a key contributor in the coming years.



The Americas

Revenue for America operations grew 1.9% YoY from S$121.0 million in FY2018 to S$123.3 million for FY2019, accounting for 55.7% of the Group's total revenue.

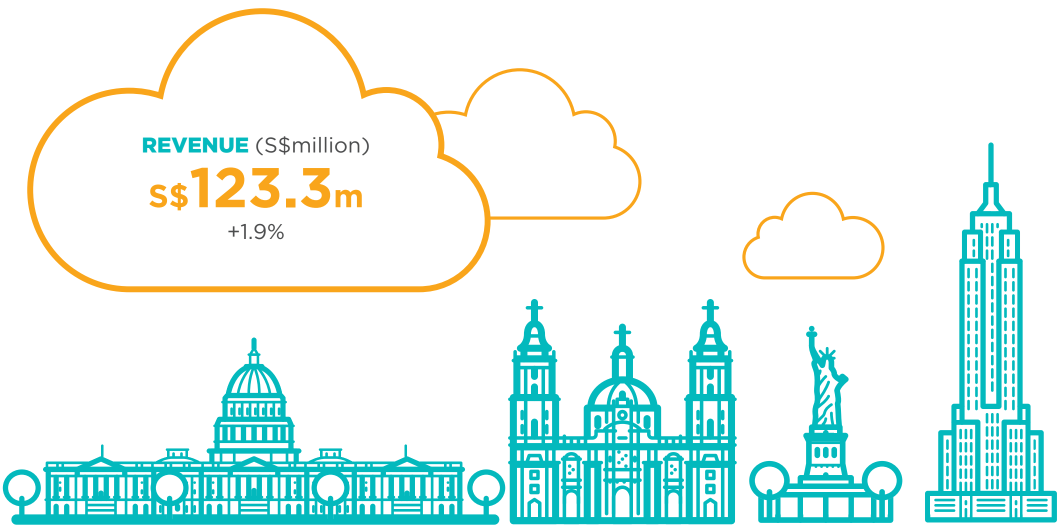
Our IT Distribution segment saw a 2.5% YoY growth from S$77.3 million in FY2018 to S$79.3 million in FY2019, driven primarily by our successful OEM programs with HPE and Cisco. Our Lifecycle Services posted 0.8% growth from S$43.7 million in FY2018 to S$44.0 million in FY2019, following the success of our IT Maintenance and IT Asset Disposition ("**ITAD**") divisions.

Our maintenance offering grew approximately 7.0% from FY2018's S$43.2 million to FY2019's S$50.0 million, driven by more higher value deals than at any other time in our history. These deals involved large-scale infrastructure back-up services and internal cloud infrastructure services.

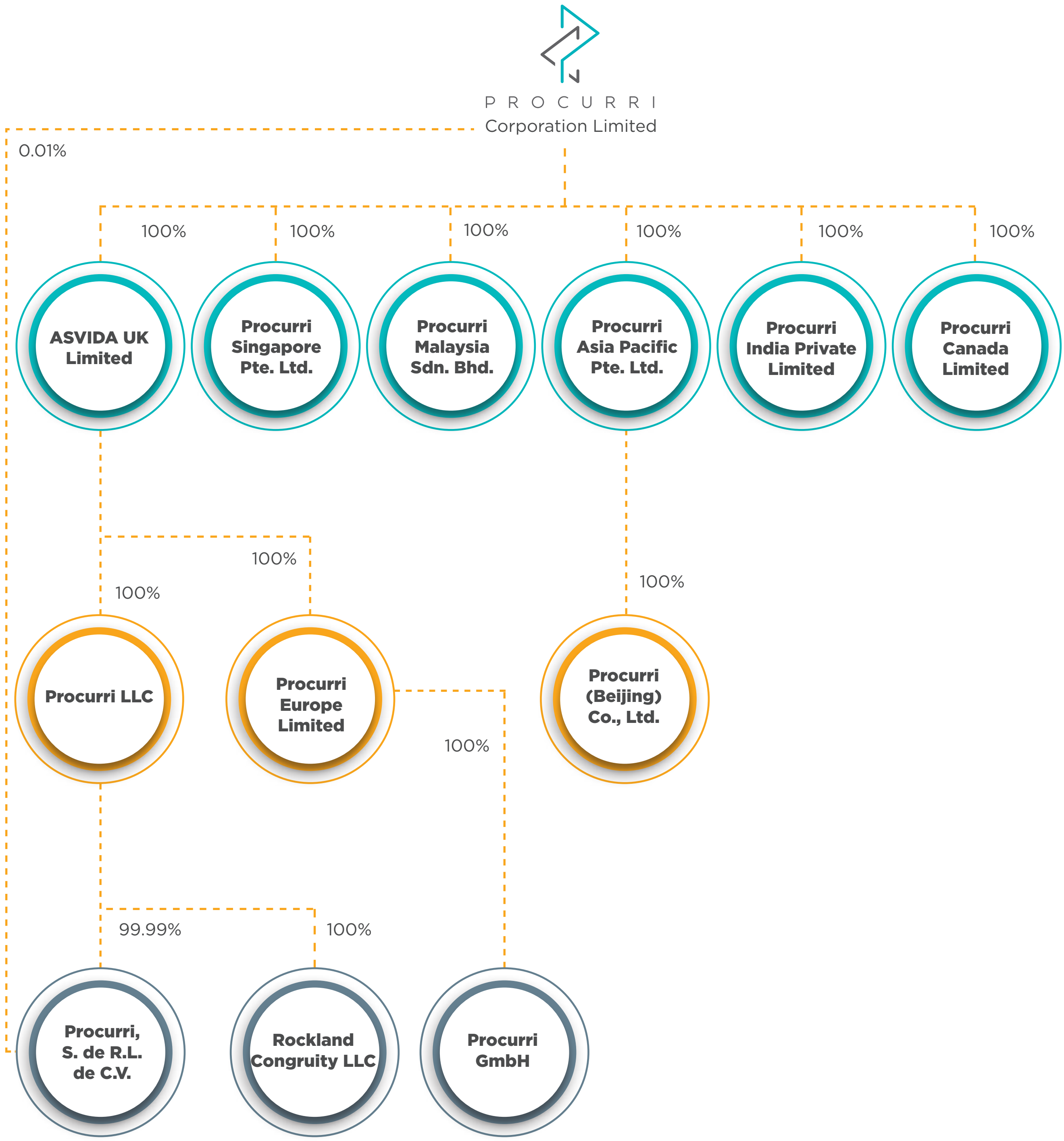
Our ITAD segment continued to blossom in 2019. We invested further into our ITAD segment – building a secure ITAD facility and our own dedicated ITAD service team. We are now able to provide a secure solution for removal and destruction, and the best-in-breed solution to maximize recovery value for the equipment we process. This success culminated in a big strategic win for us towards the end of the year – a strategic partnership with Ingram Micro.

We were selected by Ingram to be their sole supplier of End-Of-Life ("**EOL**") HPE, Juniper, and IBM hardware on their eCommerce platform. Their 10,000+ network of resellers will have access to our inventory of certified EOL products. We spent the second half of 2019 ramping up and preparing to deliver for this program.

Going forward, with boosted capabilities to service the supply and safe disposal of enterprise data centre hardware in a cost-effective, flexible, and trusted manner, we are in a strategic position to help corporations make the switch to the cloud.



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, together with three partners, he 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 includes 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, Thomas Sean Murphy, and another partner, launched Canvas Systems, LLC ("**Canvas Systems**"). With the acquisition of Canvas Systems 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

Peter Ng Loh Ken
Lead Independent Director

Mr Peter Ng is our Lead Independent Director. He was first appointed to our Board on 27 June 2016 and last re-elected as Director on 29 April 2019. He serves as our Audit Committee Chairman 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 29 April 2019. He chairs our Nominating and Remuneration Committees and is a member of our Audit Committee. 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). Prior to joining SooChow CSSD Capital Markets (Asia), he held various senior positions within the Religare Capital Markets group. Before Religare Capital Markets, Mr Wong worked at UBS AG and Allen & 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.

Loke Wai San
Non-Independent Director

Mr. Loke was appointed to our Board on 29 April 2019 as a Non-Independent, Non-Executive Director. He is a member of our Audit, Remuneration and Nominating Committees. He is also the Executive Chairman and Director of AEM Holdings Ltd and an independent director at Sunningdale Tech Ltd which are listed on the main board of the Singapore Stock Exchange. Mr. Loke has been appointed to the Board of Enterprise Singapore on 1 April 2020.

Mr. Loke is the founder and CEO of a private equity fund adviser, Novo Tellus Capital Partners. His expertise is in cross-border private equity investments in various sectors including semiconductors, IT, enterprise software, medical equipment, and manufacturing. From 2000 to 2010, he was with Baring Private Equity Asia, where he was a Managing Director and head of Baring Asia's US office and subsequently co-head for Southeast Asia. Prior to joining Baring Asia, Mr Loke was a Vice President at venture capital fund, H&Q Asia Pacific, from 1999 to 2000, a Senior Manager at management consulting firm, AT Kearney, from 1995 to 1999, and an R&D engineer with Motorola from 1991 to 1993. Mr Loke was a former Chairman and President of Singapore American Business Association in San Francisco. Mr. Loke holds an MBA degree from the University of Chicago, and a BSEE from Lehigh University.

Dr Lim Puay Koon
Independent Director

Dr Lim Puay Koon was appointed to our Board on 1 April 2020 as an Independent Director. He is a member of our Audit, Remuneration and Nominating Committees. Dr Lim was previously a Board Director and Audit Committee Member for SGX-listed HupSteel from 1994 to 2019. He was the Chief Executive Officer ("CEO") of Dimension Data North Asia from October 2014 to December 2019, and the Managing Director ("MD") of Dimension Data ASEAN from April 2008 to October 2019. He was also Director & General Manager for Outsourcing Services (South East Asia) for 12 years at Hewlett Packard Asia Pacific. He has held executive positions in Dell Asia Pacific and IDA. He has over 30 years of extensive international experience driving strong growth in IT solutions and infrastructure businesses across Asia Pacific.

Dr Lim obtained a Bachelor of Science, a Master of Engineering and a PhD in Computer & Systems Engineering, as well as an MBA from Rensselaer Polytechnic Institute, Troy, New York.

SENIOR MANAGEMENT TEAM

1 2

Procurri's senior management team includes **Mr Thomas Sean Murphy**, our Chairman and Global CEO, and **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 of Sales at Procurri LLC and was 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 was appointed as our Head of Europe, Middle East and Africa ("**EMEA**") since 2016. He oversees our Group's operations in EMEA. Mr Jordan has over 20 years of working experience in product sales. In 2005, Mr Jordan participated in a management buyout of Tindirect Ltd, following which he became an owner of the holding company, Tinglobal Holdings Limited, which is now renamed as Procurri Europe Limited.

Mr Jordan has worked with numerous venture capitalists, raising capital and participated in acquisitions, sales and mergers of businesses both at Tinglobal and more recently at Procurri Europe. Mr Jordan graduated with a Bachelor of Arts (Honours) in Business Studies from Southampton Solent University.

SUSTAINABILITY REPORT

CONTENTS

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

INTRODUCTION

Headquartered and listed in Singapore, Procurri Corporation Limited is a leading global independent provider of IT Lifecycle Services and Data Centre equipment. It offers Lifecycle Services, which includes Third-Party Maintenance Services and IT Asset Disposition ("**ITAD**"), alongside IT Distribution, which includes both new authorised parts and refurbished hardware. Procurri employs more than 400 employees across its 21 offices and 6 warehouses worldwide, with extensive operations and services coverage spanning over 100 countries.

Procurri works to keep its environmental, social and governance ("**ESG**") performance positive by being a responsible, diverse and equal opportunities employer, extending product life where possible to reduce society's carbon and waste footprint. This is exemplified by ITAD which seeks to ensure a sustainable balance between recycling and disposal of retiring equipment while ensuring maximum values are captured. Procurri provides this service to recycle end-of-life products in an environmentally sound manner to become raw materials for reuse. ITAD strives to minimize electronic waste through efficient recycling and reuse of hardware, diverting materials away from landfill and incinerators as well as preserving resources by avoiding virgin material extraction for new products.

ESG IN THE CONTEXT OF BUSINESS

Technology is rapidly evolving and changing our lives in ways that were unimaginable just a decade ago. All modern economies rely on technology and information services to develop and grow. The combined use of software and hardware systems helps in the development of economically important products by increasing efficiencies and providing new services. With the continued overhaul of existing systems and technologies due to innovation in Information Technology and Communications, our challenge is to deliver in an environmentally sustainable way. New technology brings with it new social and environmental externalities that need to be addressed in order to protect stakeholders.

Procurri has reviewed and identified key sustainability areas of focus. Focusing on these key issues allows Procurri to manage the risks and opportunities that sustainability poses to the company.

Understanding the environmental and social impact will allow Procurri to capitalise on the services it provides. Our sector has tremendous potential not only to fuel economic growth but to also help economies progress in a sustainable manner. Therefore, Procurri considers responsible management of ESG issues to be critical to successful business practice. It strives to continuously improve its ESG performance and, as such, had set a series of public targets in 2017 to achieve in the short, medium and long term:

- Expand social data coverage to include employee training hours for all three regional headquarters by 2020.
- Expand ISO 14001 & 9001 certification to the US office, in line with its Singapore and UK regional headquarters, by 2022.

In 2018, Procurri's Investor Relations Policy was formalised. It sets out the ethos of Procurri's communication with its shareholders and the key principles built on the virtues of good corporate governance, adequate corporate transparency and fair disclosures.

Procurri's growth and expansion would only bring more positive impacts to the global waste challenge through our business practice and strategies. Procurri is on track to meet the rest of the targets.

SUSTAINABILITY REPORT

BOARD STATEMENT

ENVIRONMENTAL

SOCIAL

GOVERNANCE

As a leading global player in the enterprise IT services and 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. We are driven by our commitment to addressing pressing sustainability issues, most notably global waste and electronic waste challenges. Thus, our business strategies and approaches are closely aligned with ESG principles that aim to create a sustainable world for all. Our IT Distribution encourages the use of pre-owned or refurbished equipment and our Lifecycle Services enable companies to prolong the lifespan of their enterprise hardware, while our ITAD empowers companies to dispose of e-waste responsibly and sustainably. Furthermore, our UK and Singapore sites are certified and operate according to the environmental management system standard ISO 14001 and quality management standard ISO 9001. Procurri has set a target to achieve these standards across the Group's US operations by 2022.

In compliance with the SGX-ST sustainability reporting framework, we are proud to be publishing our third Sustainability Report 2019. This complements our ongoing environmental initiatives with the electronic dissemination of our Annual Report 2019 to shareholders via our corporate website. This report evidences the ESG Key Performance Indicators ("**KPIs**") that are material to the practices of Procurri, identified using established materiality assessment of the Sustainability Accounting Standards Board ("**SASB**") and refined for purpose by an independent consultant.

Procurri recognises good governance is essential for continued growth and investors' confidence. Furthermore, it has set targets for the short, medium and long term to strive to improve its performance. Analysis has identified the most significant cause of Green House Gas ("**GHG**") emissions in Procurri's operations is associated with electricity consumption. In contrast to many companies in the IT sector, embedded energy of equipment is not the most significant impact as Procurri sources the majority of equipment from pre-used sources, resulting in a net benefit carbon footprint for the products.

Having considered sustainability issues as part of its strategic formulation, the Board has approved the material ESG factors identified, and ultimately oversees the management and monitoring of all ESG factors. The Board is always looking to assess, review and update the ESG factors with guidance of the company's ever-changing risks and opportunities.

ABOUT THIS REPORT

Identifying the impacts that are material to investors and other stakeholders is crucial for IT companies in order to streamline available resources.

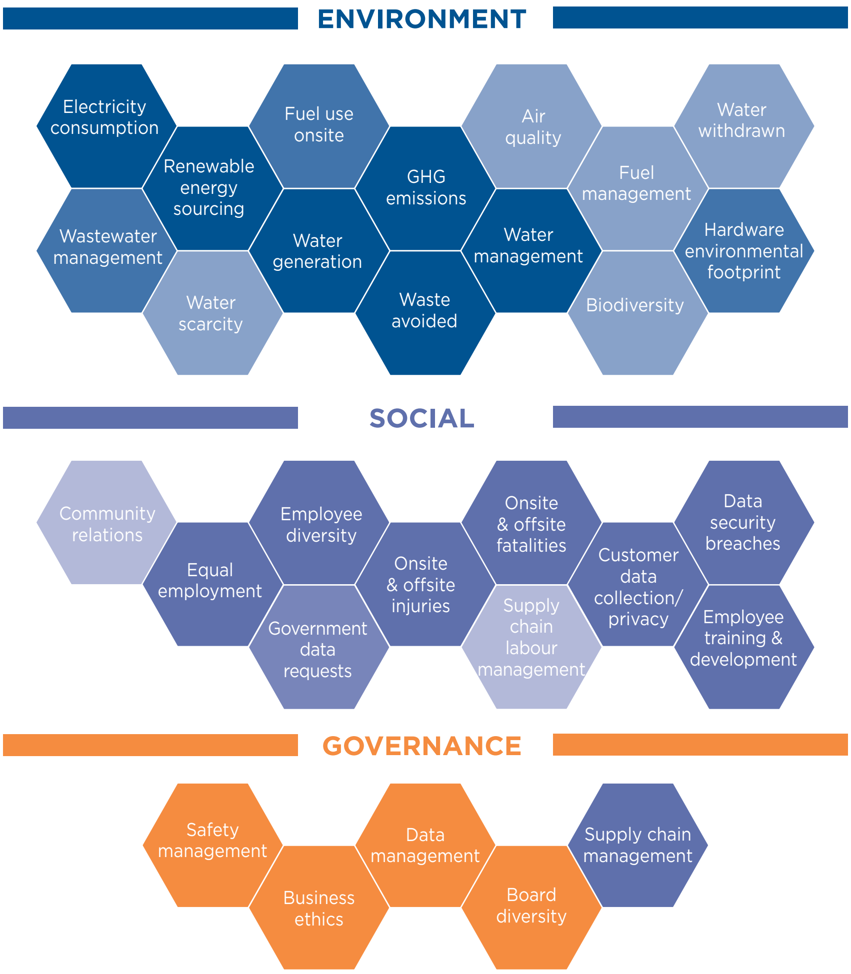
Procurri recognises the importance of identifying issues that are significant to the financial operation of the business, as well as stakeholders, such as investors, society and customers. This report focuses on the regional head offices of Procurri. These offices are: Procurri Global Headquarters in Singapore – Asia Pacific region APAC; Procurri LLC (Procurri's United States' subsidiary in Atlanta); and Procurri Europe (the United Kingdom) – EMEA. Data from Boston, Massachusetts-based Rockland Congruity LLC, a joint venture set up in January 2017 and acquired by Procurri LLC in 2019, is fully included in our 2019 sustainability reporting scope. These sites represent our key locations and cover 90% of the total employees of Procurri's global operations. The remaining 10% of employees are widely spread across numerous geographical bases.

When considering sustainability materiality, Procurri conducted a two-phase assessment in 2017. We initially considered all sector-level materiality to identify all issues relevant to companies operating in the sector. These themes were identified using the SASB Hardware, Software and IT standards, investor trend reviews and a wider literature review. Sector-level materiality was identified and refined based on specific practices of the company through an internal stakeholder engagement process with Procurri staff and the Board in 2017. Issues that are not applicable to Procurri due to its specific operations were removed from the list of key material issues. To give an example, one of the most significant causes of environmental impact in the sector is the production of the hardware itself – including sourcing of raw materials, such as rare metals. However, as Procurri sources its equipment from recovered units, and is essentially replacing the need for additional original equipment manufacturing, few virgin raw materials are required. As such, the environmental footprint of equipment is not relevant to Procurri.

Procurri is looking to review and update the materiality assessment in FY2020.

Figure 1 highlights the material ESG issues identified for Procurri. Sector material issues that are not relevant to Procurri, but were considered, are represented with dark grey shading, while issues that are immaterial for the sector and operations are coloured light grey.

FIGURE 1: MATERIAL ESG ISSUES FOR PROCURRI OPERATIONS



Source: Analysis by independent consultant with input from SASB materiality review

SUSTAINABILITY REPORT

Procurri does come into contact with data through the disposal of assets, and this is therefore reported as relevant within the Governance section of the report. However, Procurri does not collect personal customer data, such as home telephone numbers or home addresses, as part of its business operations or for use in its business operations.

Table 1 displays how and where these themes are reported within this report.

TABLE 1: ESG METRICS AND RELEVANCE TO COMPANY REPORT

TOPIC	ACCOUNTING METRC	STATUS
Environmental Footprint of Site	Total energy consumption, percentage of grid electricity and renewable energy	Included, Table 2
	Water withdrawn, percentage recycled, percentage from regions with High or Extremely High Baseline Water Stress	Partially included, Table 2 & Figure 4. Water scarcity and recycling not relevant for Procurri operations due to small volumes and limited stress regions
	Waste generated by type and management processes	Included, Table 2
	GHG emissions, by scope	Included, Table 2 & Figure 3
Lifecycle Management of Equipment	Weight of products and e-waste recovered through take-back programs, percentage of recovered materials that are recycled	Included
Data Privacy and Data Security	Discussion of policies and practices related to collection, usage and retention	Included
	Amount of legal fines and settlements paid associated with customer privacy	Included, Table 7
	Number of data security breaches and percentage involving customers' personally identifiable information	Included, Table 7
	Discussion of firm's approach to identifying and handling data security and related risks	Included
Recruiting and Managing a Global, Diversified Workforce	Percentage of employees that are foreign nationals and those that are located in another country	Not applicable; Procurri operates across the globe and has national and international representation
	Employee training	Included, Table 4 and 5
	Percentage of gender and racial/ ethnic group representation for executive roles and other employees	Partially included, Table 3

ENVIRONMENTAL IMPACTS

REUSE & RECYCLING OF IT EQUIPMENT

Procurri's IT Distribution and Lifecycle Services serve to optimise the performance and lifespan of IT assets, thereby empowering partners and clients to retain the value of their IT assets as much as possible and contributing to a circular economy.

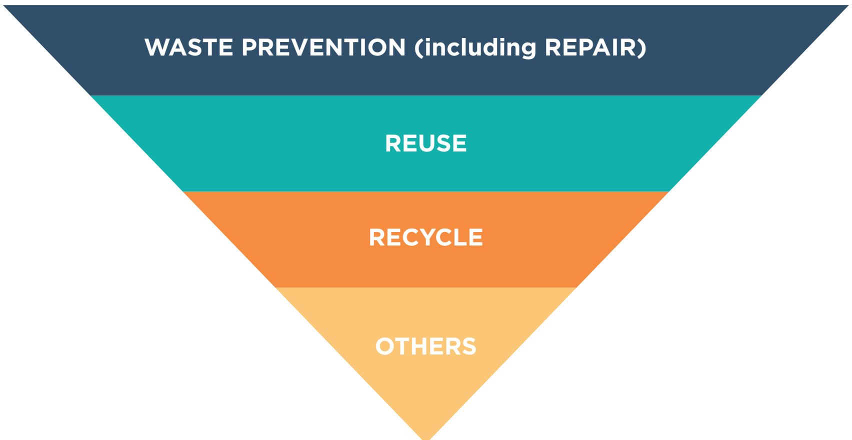
Refurbishment and reuse of equipment prolong its shelf-life to ensure environmental cost is minimal. This is Procurri's preferred approach for a sustainable waste management solution.

In 2019, Procurri conducted 19,958 service and maintenance jobs and 500,576 parts reused in the three reporting regions combined. In the APAC region (Singapore), Procurri completed 3,404 tickets and 39,023 equipment were processed for reuse in the ITAD segment; the United Kingdom (EMEA) completed 2,755 tickets and 14,100 parts of 439,644 items made available for reuse were installed into customer environments; the United States (Americas) completed 13,799 tickets and installed 14,311 parts into customer environment as well as spared out 7,598 parts.

Procurri 2019-at-a-glance

- Procurri expanded its operation into Germany as part of the Group's continued globalisation efforts. This includes Procurri Europe's development of warehousing premises, and staff recruitment, in Germany.
- An ITAD facility was built in Warrington, UK. 3 sales head were recruited to help drive the ITAD sales effort.
- In the US, an 8000 square feet ITAD bay was also built in Procurri's Boston facility to process and sort programmatic ITAD equipment. The bay has racks and enclosures to conduct ITAD wiping via the Blancco platform. Procurri has staffed the bay with 5 dedicated employees.

FIGURE 2: WASTE HIERARCHY AT PROCURRI



SUSTAINABILITY REPORT

OPERATIONAL FOOTPRINT

2019 HIGHLIGHTS

19,958
Service and Maintenance jobs conducted

> 500,00
Parts reused

22.9%↑
Increase in waste recycled

27%↓
Decrease in operational water withdrawal

Procurri considers environmental responsibility to be crucial to the successful operation of its business. The Group operates both its UK and Singapore sites according to the environmental management system standard ISO 14001, and quality management standard ISO 9001. In 2019, Procurri UK site's ISO 9001 and 14001 were renewed. Procurri has set a target to achieve these standards across US operations by 2022.

Procurri's operational environmental footprint was analysed based on onsite energy use, water use, vehicle fuel and business travel.

For the purposes of this report, GHG emissions are reported in line with the Greenhouse Gas Protocol, an international corporate accounting and reporting framework developed by the World

SCOPE 1

Includes direct emissions from sources which a company owns or controls. This includes direct emissions from fuel combustion and industrial processes.

SCOPE 2

Covers indirect emissions relating solely to the generation of purchased electricity that is consumed by the owned or controlled equipment or operations of the company.

SCOPE 3

Covers other indirect emissions including third-party provided business travel.

Resources Institute and the World Business Council for Sustainable Development. The Greenhouse Gas Protocol differentiates between direct and indirect emissions using a classification system across 3 different scopes:

TABLE 2: GROUP ENVIRONMENTAL IMPACTS

ITEM	UNITS	2017	2018[1]	2019[1]
ENERGY USE				
Purchased electricity[2]	kWh	1,418,671	1,548,619	2,399,418
Natural gas consumption	kWh	468,483	599,921	700,598
BUSINESS TRAVEL				
Air – international	km	1,842,837	642,726	1,548,834
Air – domestic	km	1,307,362	548,021	193,121
Private vehicle	km	302,819	489,267	215,804
Company vehicle	km	316,635	233,449	183,970
Rail	km	15,076	24,533	26,813
GREENHOUSE GASES				
Scope 1	tCO_2e	144	111	129
Scope 2 (location-based)	tCO_2e	571	528	742[3]
Scope 2 (market-based)	tCO_2e	720	348	359
Scope 3	tCO_2e	374	277	284
WATER WITHDRAWAL				
Operational	m^3	1,213	3,534[4]	2,580
WASTE ARISINGS				
Waste sent to landfill or incinerator	kg	31,041	11,912	124,263[5]
Waste recycled	kg	205,076	224,420	273,794

[1] *2018 and 2019 figures, with the exception of waste arising figures for 2018, include data from Rockland Congruity LLC which was acquired in April 2019. Waste arising 2018 figures exclude Rockland Congruity LLC due to lack of available data.*

[2] *2018 data for Rockland Congruity LLC has been estimated by headcount based on figures of the Atlanta Office, while 2019 data was based on actual figures. The increase in purchased electricity over the years was due to an increase in operations in Rockland Congruity LLC.*

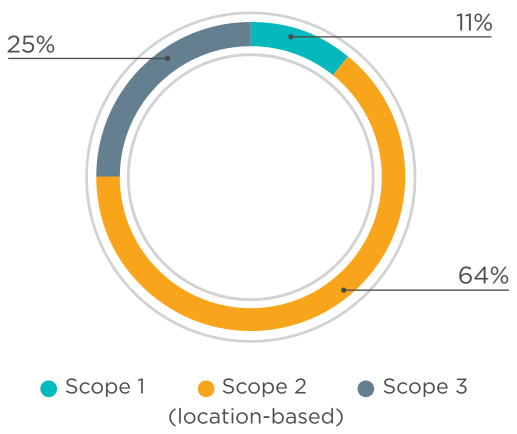
[3] *The increase in Scope 2 (location-based) GHG emission in 2019 was due to increase in operations in Rockland Congruity LLC.*

[4] *2018 data for Rockland Congruity LLC has been estimated by headcount based on figures of the Atlanta office, while the 2019 data was based on actual figures.*

[5] *The increase in Waste sent to landfill or incinerator was due to inclusion of Rockland Congruity LLC in 2019.*

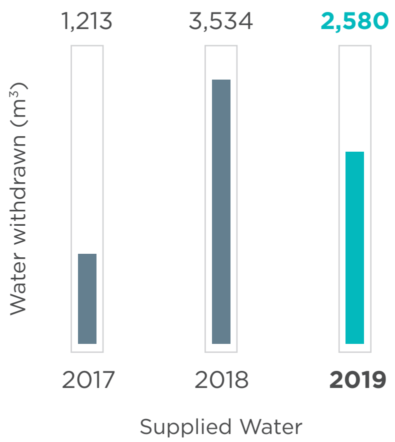
SUSTAINABILITY REPORT

FIGURE 3: GHG EMISSIONS BY SCOPE



The majority (64%) of the captured GHG emissions were associated with purchased electricity across the sites. Business travel was included in our assessment as Scope 3 emissions.

FIGURE 4: WATER WITHDRAWAL BY SOURCE



Procurri used only supplied water across all its sites globally, and the majority of use was associated with domestic requirements, such as toilets and hand basins. Water withdrawal volume was reduced from 3,534 cubic meters in 2018 to 2,580 cubic meters in 2019.

SOCIAL IMPACTS

Procurri aims to create an environment that encourages and values diversity within its workforce and builds on the differences individuals bring. It aims to draw upon the widest possible range of views and experiences in order to meet the changing needs of employees, clients and partners.

EMPLOYEE DIVERSITY & INCLUSION

Procurri believes diversity and inclusion:

- Are imperative to its business;
- Drive its business results, enhance its reputation, and help attract, recruit, engage and retain a diversified team of business talent;
- Recognising that individuals differ in all ways – nationality, religion, race, culture, gender, education, experience, belief and ideas. These are what make all of us unique individuals; and
- Enable it to leverage and value employees' differences, believing that this will lead to greater innovation and creativity, leading to superior business results.

As such, business activities, such as hiring, training, compensation, career progressions opportunities, terminations and recreational events, are conducted without discrimination, based on merits and unhampered by artificial barriers, prejudices or preferences.

TABLE 3: GROUP DIVERSITY AND EMPLOYEE REPRESENTATION

	2017		2018		2019	
ITEM	**NUMBER OF EMPLOYEES**	**PERCENTAGE**	**NUMBER OF EMPLOYEES**	**PERCENTAGE**	**NUMBER OF EMPLOYEES**	**PERCENTAGE**
GENDER OF EMPLOYEES						
Male	178	69%	294	74%	310	75%
Female	79	31%	107	26%	104	25%
AGE DIVERSITY						
Under 30	76	29%	114	28%	125	30%
30 – 50	146	57%	216	54%	218	53%
Over 50	35	14%	71	18%	71	17%

Employee development is important and Procurri recognises that regular performance reviews and training help keep staff motivated and the company successful. To this end annual appraisals are conducted, coupled with monthly sales meetings. The Europe office was re-certified as an Investors in People employer in 2019, which is a standard in leadership development and performance evaluation.

SUSTAINABILITY REPORT

TABLE 4: EMPLOYEE DEVELOPMENT

	2017		2018		2019	
ITEM	**NUMBER OF EMPLOYEES**	**PERCENTAGE**	**NUMBER OF EMPLOYEES**	**PERCENTAGE**	**NUMBER OF EMPLOYEES**	**PERCENTAGE**
EMPLOYEE DEVELOPMENT						
Percentage of employees receiving regular performance and career development reviews	257	100%	349	87%	325	79%
Employee groups not receiving reviews	0	0%	0	0%	0	0%

Procurri offers a Training and Development programme to employees, including on-the-job training, as well as training conducted by accredited institutions or organisations, where appropriate.

TABLE 5: EMPLOYEE TRAINING[1]

EMPLOYEE DEVELOPMENT	2017	2018	2019
Hours of training given	1,369	1,661	2,266
Hours of training received per employee	10.5	10.2	5.47

HEALTH & SAFETY

Procurri prioritises the health and safety of its employees. All three headquarters are governed by workplace health and safety policies, including publishing Health and Safety Policy Statements signed by a director, plus inclusion of health and safety monitoring within internal audits. The Singapore headquarters is certified with bizSAFE Level 3.

The company also carries out health and safety training at induction and annually thereafter.

TABLE 6: GROUP HEALTH AND SAFETY

	2017		2018		2019	
ITEM	**NUMBER OF EMPLOYEES**	**PER 100 STAFF**	**NUMBER OF EMPLOYEES**	**PER 100 STAFF**	**NUMBER OF EMPLOYEES**	**PER 100 STAFF**
Recorded injuries	6	1.7	4	1.0	5	1.2
Exposure to hazardous substances	0	0	0	0	0	0
Recorded injuries off company premises	0	0	0	0	0	0
Exposure to hazardous substances off company premises	0	0	0	0	0	0

[1] All sites have collected data on number of training per employee in 2019 whereas only the UK (EMEA) data was reported 2017 and 2018; hence the significant difference in Hours of training received per employee.

SOCIAL ENGAGEMENT

In 2019, Procurri organised various activities for community participation and social engagement.

Employees from the Procurri US team voted to help fight hunger for their community outreach project. Employees volunteered for up to 2 days of hands-on experience at the Atlanta Community Food Bank. Groups and individual volunteers worked together to inspect, sort and pack quality grocery donations. Each shift lasted 2.5 to 3 hours. In the end, employee volunteers sorted approximately 2,896 pounds of food each day, the equivalent of 1,650 meals to communities in need. The US team also donated to the Gwinnet Chamber of Commerce, an organisation focused on job creation, small business growth and improving the quality of life in the Gwinnett County community.

Procurri EMEA's office has once again supported the annual Jumbulance Trust, which is a charity that provides convenient travel opportunities to adults and children with disabilities or chronic illness. Emily Stratford and Richard Field travelled as volunteers to Niederau in Austria with a group of adapted skiers with disabilities ranging from cerebral palsy and multiple sclerosis to autism and learning difficulties to have the opportunity to experience skiing for a week. Fundraising continued throughout the year to pay for specialist equipment and instruction as well as to provide subsidies to everyone in the group so that it is accessible to all.

The Europe office also contributed to foodbanks in conjunction with Procurri Day 2019's theme of giving back to the community. Procurri employees from Cirencester, Warrington, Wokingham, and Nottingham donated food and toiletries from lists provided by foodbanks whilst others donated money. Procurri Europe then doubled employees' efforts and delivered or presented collected supplies to foodbanks local to the individual offices around the country.

The APAC office based in Singapore organised an Orphanage Donations event in 2019. The office was also involved in organising a shoes donation drive. This involved team participation to collect shoes. These shoes were then sent to a non-profit organisation called Soles4souls which works internationally to distribute shoes to the needy. Next, Procurri Singapore and Procurri Malaysia offices organised a Cooking with the Elderly and Food Bank Donations respectively on Procurri Day in July of 2019.

Procurri USA – Food Bank drive in Atlanta, USA.

Procurri Singapore – Orphanage Donations initiative.

(left) Procurri Europe – Food Bank drive in Cirencester, UK;
(right) Procurri Europe – Wokingham Foodbank.

SUSTAINABILITY REPORT

GOVERNANCE

Procurri operates with company policies of Equal Opportunities, Code of Conduct, Employee Diversity and Inclusion, Anti-Bribery and Anti-Corruption, Grievance Process and Disciplinary Policy, all reflecting a commitment to respect workers in both its own business and its supply chain worldwide. The following section considers some of the key governance structures in place.

BOARD DIVERSITY

In 2019, the Board initially comprised six directors, three of whom were independent non-executive directors. However, in August 2019, one independent non-executive director passed away unexpectedly. Since then, the Board comprised five directors, two of whom are independent non-executive directors and one non-independent non-executive director. In April 2020, Procurri co-opted an independent non-executive director to maintain that independent non-executive directors make up half of the Board, and the Board is able to exercise objective judgment independently from management with no individual or small group of individuals dominating the decisions of the Board. At the Annual General Meeting for 2020, Procurri will be nominating the co-opted independent non-executive director for re-election to the Board. Currently, the Board consists of five males, with combined expertise across a range of specialties, including finance, accounting, legal, business and industry knowledge. Procurri provides details of its Corporate Governance in its annual report at the Governance section.

DATA AND SECURITY

Procurri is bound by privacy regulations around the world. To ensure Group-wide compliance, the Data Protection Policy was formalised during the financial year 2018. Procurri does not collect personal client data as part of its business operations or for use in its business operations. Procurri is exposed to client data as part of its IT Asset Disposition ("**ITAD**") offering, when clients entrust their end-of-life IT equipment to Procurri for testing and verification, data erasure and/or disposal. Procurri handles these electronic equipment with utmost security and ensures data security is maintained at all times. Telephone numbers, customer identification numbers, address details and other personal information is destroyed as part of the ITAD process and not stored for ongoing use.

Each region operates in adherence to local requirements and best practices, though key processes are the same. Asset testing and verification premises are in a caged and secure location and only accessible by authorised personnel. All storage equipment that is erased has certificates generated citing the type of erasure standard implemented. For data erasure the Procurri Group utilises Blancco software, an internationally recognised and accredited disk erasure software. The UK is both ISO 27001 and ADISA accredited. Procurri Europe was awarded ISO 27001 and the UK's Warrington ITAD facility was certified to ADISA standard in 2019, The Cirencester facility has been ADISA certified since 2012.

For asset disposal, the three regions use third-party vendors detailed below:

- Singapore: National Environment Agency-approved vendor.
- USA: R2-certified recycler audited annually.
- UK: UK Environment Agency licensed and authorised recycler.

Specifically, and for the purposes of transparency, data security details are given below.

ANTI-BRIBERY & CORRUPTION POLICY

The Company is committed to acting lawfully, ethically and with integrity in every aspect of its business. This policy applies to all Procurri employees, including its employees of global subsidiaries and contract and temporary workers. Procurri operates a zero-tolerance policy towards bribery and corruption in any situation or form.

TABLE 7: DATA AND SECURITY

ITEM	2017	2018	2019
Number of confirmed or suspected data security breaches that occurred in the past financial year?	Nil	Nil	Nil
Number of breaches that concerned the potential for personal identification material being compromised?	Nil	Nil	Nil
Number of breaches that led to the company incurring fines or other penalties and what was the value of these penalties?	Nil	Nil	Nil

APPENDIX

CALCULATING GREENHOUSE GAS EMISSIONS ("GHG")

Different GHGs have different Global Warming Potentials ("**GWP**")[1] or abilities to contribute to rising temperatures. Data is standardised by converting the different greenhouse gases into their carbon dioxide equivalent according to the GWP index published by the Intergovernmental Panel on Climate Change ("**IPCC**")[2]. The index identifies the radiative effects of different GHGs in the atmosphere relative to an equal mass of CO_2 over a 100-year timeframe. GWP enables all the GHGs to be expressed in terms of CO_2 equivalents, or CO_2e. Quantities of GHG emissions are derived from data on operational and vehicle fuel consumption, electricity use and business travel. Emission factors are from Singapore's Energy Market Authority, United States Environment Protection Agency and United Kingdom Department for Business, Energy & Industrial Strategy and Procurri's electricity suppliers in the UK.

[1] Global Warming Potential (GWP) is the ratio of the warming of the atmosphere caused by one substance to that caused by a similar mass of carbon dioxide, which is assigned a reference value of 1.
[2] The Intergovernmental Panel on Climate Change (IPCC) is a scientific intergovernmental body set up by the World Meteorological Organisation (WMO) and by the United Nations Environment Programme (UNEP) with a mandate to provide an objective source of information about climate change

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GOVERNANCE REPORT

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

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

This report shall reference the principles and provisions laid down in the 2018 CG Code and accompanying Practice Guidance issued in August 2018, which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company has complied with the 2018 CG Code, except where otherwise explained. In areas where the Group has not complied with the 2018 CG 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: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

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. Each director is required to promptly disclose any conflict or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as is practicable after the relevant facts have come to his knowledge. On annual basis, each director is also required to submit details of his associates for the purpose of monitoring interested persons transactions. Where a director has a conflict or potential conflict of interest in relation to any matter, he should immediately declare his interest and abstain when the conflict-related matter is discussed, unless the Board is of the opinion that his presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he is to abstain from voting in relation to the conflict-related matters. *<Provision 1.1>*

GOVERNANCE REPORT

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. Please refer to the various Principles in this Corporate Governance Report for further information on the activities of the respective Board Committees. *<Provision 1.4>*

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 telephony or video conference. *<Provision 1.5>*

The number of Board and Board Committee meetings, and the record of attendance of each director for FY2019 are set out below:

	Board		Remuneration Committee ("RC")		Nominating Committee ("NC")		Audit Committee ("AC")		Annual General Meeting ("AGM")	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings		No. of meetings	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Thomas Sean Murphy	4	4	3	3*	3	3*	4	4*	1	1
Mr Edward John Flachbarth	4	4	3	1*	3	3*	4	4*	1	0∝
Mr Ng Loh Ken Peter	4	4	3	3	3	3	4	4	1	1
Mr Wong Quee Quee, Jeffrey	4	4	3	3	3	3	4	4	1	1
Mr Loke Wai San^	4	3	3	2	3	2	4	3	1	1
Dr Lim Puay Koon@	4	–	3	–	3	–	4	–	1	–
Mr Ho Chew Thim#	4	2	3	1	3	1	4	2	1	1

Notes:

* Attended as invitees.

^ Mr Loke Wai San was appointed as a director/Board Committees' member on 29 April 2019.

@ Dr Lim Puay Koon appointed as a director on 1 April 2020.

Mr Ho Chew Thim passed away on 6 August 2019.

∝ Mr Edward John Flachbarth was unable to attend due to an unexpected family medical emergency.

1.5 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. *<Provision 1.6>*

1.6 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. *<Provision 1.6>*

1.7 The directors have separate and independent access to the Company Secretary. The Company Secretary and/or their representatives attend all scheduled Board and Board Committee meetings. The Company Secretary administers and prepares minutes of Board and Board Committee meetings and assists the Chairman in ensuring that Board procedures are adhered to and compliance with applicable statutory and regulatory rules and regulations. *<Provision 1.7>*

GOVERNANCE REPORT

1.8 The appointment and removal of the Company Secretary is subject to approval of the Board. *<Provision 1.7>*

1.9 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. *<Provision 1.7>*

1.10 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. *<Provision 1.3>*

1.11 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 Listing Rule 210(5)(a) (including a director who has no prior experience as a director of an issuer listed on the SGX-ST). *<Provision 1.2>*

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

BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

2.1 As the Chairman of the Board (the "**Chairman**") and the Global Chief Executive Officer (the "**Global CEO**") of the Company are the same person, Mr Thomas Sean Murphy, the Board is required by the CG 2018 to have more than half of the Board made up of independent directors. The Board currently comprises six directors, three of whom are independent, non-executive directors. The independent directors currently make up half of the Board. The Board deems the current independent directors competent as they are respected individuals from different backgrounds whose core competencies, qualifications, skills and experiences are extensive and complementary to the Company. As there is strong independent and non-executive element on the Board and given the size of the Board, the Board is of the view that it is not necessary or cost-effective to have non-executive or independent directors to make up a majority of the Board. *<Provision 2.2>*

2.2 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. *<Provision 2.1>*

2.3 The Board currently comprises: *<Provision 2.3>*

Mr Thomas Sean Murphy	(Chairman and Global CEO)
Mr Edward John Flachbarth	(Executive Director)
Mr Ng Loh Ken Peter	(Lead Independent Director)
Mr Wong Quee Quee, Jeffrey	(Independent Director)
Dr Lim Puay Koon	(Independent Director)
Mr Loke Wai San	(Non-Independent Non-Executive Director)

GOVERNANCE REPORT

After taking into account the views of the NC 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. *<Provision 2.1>*

2.4 The Board confirms that no independent director has served on the Board beyond nine years from the date of his first appointment. *<Provision 2.1>*

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, taking into account the nature and scope of the Company's operations.

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 govern 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 Company recognises and embraces Board diversity as an essential element in the achievement of business objectives and sustainable development. However, diversity is not merely limited to gender or any other personal attributes. The benefits of Board diversity are harnessed when the directors adopt an independent mindset when carrying out their responsibilities. In order to leverage on diverse perspectives, the Board strives to cultivate an inclusive environment where all directors are able to speak and participate in decision making. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experiences and expertise to contribute to the development of the Group's strategies and the performance of its business.

In reviewing the composition of the Board, the NC considers the benefits of Board diversity from a number of aspects, including but not limited to gender, age, educational background, professional experience, skills and knowledge. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The ultimate decision for new Board appointments will be based on merit and contribution that the selected candidates are expected to bring to the Board. *<Provision 2.4>*

2.8 The independent directors, led by the lead independent director, have meetings amongst themselves without the presence of the Management, the Executive Director and the Executive Chairman to discuss and evaluate the performance of the Management. As appropriate, the feedback and views expressed by the independent directors is communicated by the lead independent director to the Executive Chairman after the meetings. *<Provision 2.5>*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

3.1 The Chairman and 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 a majority of the Board is comprised of non-executive directors with half of the Board being independent directors who have demonstrated their commitment 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. *<Provision 3.1>*

GOVERNANCE REPORT

3.3 The Board will continue to evaluate whether separation of the role of the Chairman and the CEO is necessary.

3.4 The Chairman is responsible to, among others: *<Provision 3.2>*

(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.

3.5 The Board has appointed Mr Ng Loh Ken Peter 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 Global CEO or the Chief Financial Officer (the "**CFO**") has failed to resolve such concerns or for which such contact is not appropriate. *<Provision 3.3>*

BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

4.1 The NC comprises:

Mr Wong Quee Quee, Jeffrey	(Chairman and Independent Director)
Mr Ng Loh Ken Peter	(Member and Lead Independent Director)
Dr Lim Puay Koon	(Member and Independent Director)
Mr Loke Wai San	(Member and Non-Independent Non-Executive Director)

All members of the NC are non-executive directors, the majority of whom, including the NC Chairman, are independent. The lead independent director is one of the members of the NC. *<Provision 4.2>*

GOVERNANCE REPORT

4.2 The NC is responsible for the following under its terms of reference: *<Provision 4.1>*

(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. *<Provision 4.3>*

All directors shall submit themselves for re-nomination and re-appointment at regular intervals of at least once every year in accordance with Rule 720(5) of the SGX Listing Rules. Pursuant to Regulation 117 of the Constitution, at each 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. In addition, Regulation 122 of the Constitution also provides that a person so appointed by the directors shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

At the forthcoming AGM, Mr Thomas Sean Murphy and Mr Edward John Flachbarth will retire pursuant to Regulation 117 and Dr Lim Puay Koon will retire pursuant to Regulation 122. All of them, being eligible, have offered themselves for re-election. The information of Mr Thomas Sean Murphy, Mr Edward John Flachbarth and Dr Lim Puay Koon 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.

4.3 The NC's assessment of the independence of a director is guided by the 2018 CG Code and takes into account factors such as relationship with the Company, its related corporations, its substantial shareholders or its officers, and whether these relationships interfere with his business judgement. *<Provision 4.4>*

GOVERNANCE REPORT

4.4 The NC ensures that the new directors are aware of their duties and obligations. For re-nomination and re-appointment of directors, the NC takes into consideration the competing time commitments faced by directors and their ability to devote appropriate time and attention to the Company. Based on the directors' annual confirmation and their contributions to the Company, which are also evident in their level of attendance and participation at Board and Board Committee meetings, the NC and the Board are satisfied that all the directors were able to and have been adequately carrying out their duties as directors of the Company in FY2019. *<Provision 4.5>*

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

4.6 In its search and selection process for new directors, among others, the NC 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 Director 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 Flachbarth *Executive Director and Global President*	27 April 2017	–	–	–	–
Ng Loh Ken Peter *Lead Independent Director*	27 June 2016	29 April 2019	Chairman	Member	Member
Wong Quee Quee, Jeffrey *Independent Director*	27 June 2016	29 April 2019	Member	Chairman	Chairman
Lim Puay Koon *Independent Director*	1 April 2020	–	Member	Member	Member
Loke Wai San *Non-Independent Non-Executive Director*	29 April 2019	–	Member	Member	Member

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.

GOVERNANCE REPORT

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		Appointment
	Thomas Sean Murphy	Edward John Flachbarth	Lim Puay Koon
Date of Appointment	2 January 2014	27 April 2017	1 April 2020
Date of last re-appointment (if applicable)	30 April 2018	–	–
Age	53	52	59
Country of principal residence	United States of America	United States of America	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 Murphy's qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Executive Chairman and Global CEO of the Company.	The Board, having considered the recommendation of the Nominating Committee, and assessed Mr Flachbarth's qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Executive Director of the Company.	The Board, having considered the recommendation of the Nominating Committee, and assessed Mr Lim'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.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr. Murphy is responsible for overseeing the entire overall management of the Group.	Executive Mr. Flachbarth is assisting in the setting of the strategy direction of the Group.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and Global CEO	Executive Director and Global President	Independent Non-Executive Director

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	Re-election		Appointment
	Thomas Sean Murphy	Edward John Flachbarth	Lim Puay Koon
Professional qualifications			
Working experience and occupation(s) during the past 10 years	Procurri Corporation Limited Canvas Systems, LLC Avnet, Inc	2013-Present: Procurri LLC 2012-2013: Avnet, Inc 1998-2012: Canvas Systems LLC	CEO (North Asia) Dimension Data Asia Pacific Managing Director (ASEAN) Dimension Data Asia Pacific Board Director and Member of Audit Committee HupSteel Limited
Shareholding interest in Procurri Corporation Limited and its subsidiaries	10,197,611 shares	9,609,856 shares	Nil
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	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to Procurri Corporation Limited	Yes	Yes	Yes
Other Principal Commitments Including Directorships			
Past (for the last 5 years)	Procurri Corporation Limited Irrucorp Pte. Ltd FMS LLC OHC LLC OHC Realty LLC	Procurri Corporation Limited Irrucorp Pte. Ltd OHC LLC OHC Realty Estate LLC Pacc Flach LLC FMS LLC No Doubt Systems LLC	HupSteel Limited (1994 to 2019) Hennfa Investments Private Limited Dimension Data Korea Dimension Data Hong Kong Limited Dimension Data China Hong Kong Limited Dimension Data Macau Limited Dimension Data Taiwan Limited

GOVERNANCE REPORT

		Re-election		Appointment
		Thomas Sean Murphy	Edward John Flachbarth	Lim Puay Koon
Other Principal Commitments Including Directorships				
Present		Procurri Corporation Limited Irrucorp Pte. Ltd. FMS LLC OHC LLC OHC Realty LLC	Procurri Corporation Limited Irrucorp Pte. Ltd. OHC LLC OHC Real Estate LLC Pacc Flach LLC FMS LLC No Doubt Systems LLC	Hercules Private Limited Hennfa Investments Private Limited
(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?	No	No	No
(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?	No	No	No

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		Re-election		Appointment
		Thomas Sean Murphy	Edward John Flachbarth	Lim Puay Koon
Other Principal Commitments Including Directorships				
(c)	Whether there is any unsatisfied judgment against him?	No	No	No
(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?	No	No	No
(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?	No	No	No

GOVERNANCE REPORT

		Re-election		Appointment
		Thomas Sean Murphy	Edward John Flachbarth	Lim Puay Koon
Other Principal Commitments Including Directorships				
(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?	No	No	No
(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?	No	No	No
(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?	No	No	No

GOVERNANCE REPORT

			Re-election		Appointment
			Thomas Sean Murphy	Edward John Flachbarth	Lim Puay Koon
Other Principal Commitments Including Directorships					
(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?		No	No	No
(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	No	No	No
	(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	No	No	No
	(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	No	No	No

GOVERNANCE REPORT

			Re-election		Appointment
			Thomas Sean Murphy	Edward John Flachbarth	Lim Puay Koon
Other Principal Commitments Including Directorships					
	(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,	No	No	No
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		No	No	No
(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?		No	No	No

Disclosure applicable to the appointment of Director only.

Any prior experience as a director of a listed company?	N/A	N/A	Yes
If yes, please provide details of prior experience.	N/A	N/A	Hupsteel Limited Board Director & Member of Audit Committee 1994 to 2019
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.	N/A	N/A	N/A
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).	N/A	N/A	N/A

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BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

5.1 The NC 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's and Board Committees' performance will be evaluated by each director and the findings are collated for the final review by the NC and the Board. Following the review in FY2019, the Board is of the view that the Board and its Board Committees operate effectively, and each director is contributing to the overall effectiveness of the Board. *<Provision 5.1>*

5.2 The NC 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. *<Provision 5.1>*

5.3 The Board reviews the assessment conducted by the NC 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. *<Provision 5.2>*

5.4 Each member of the NC abstains from voting on any resolutions in respect of the assessment of his performance or re-nomination as a director. *<Provision 5.2>*

5.5 There was no external consultant involved in the Board evaluation process in FY2019. *<Provision 5.2>*

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

6.1 The RC comprises:

Mr Wong Quee Quee, Jeffrey	(Chairman and Independent Director)
Mr Ng Loh Ken Peter	(Member and Lead Independent Director)
Dr Lim Puay Koon	(Member and Independent Director)
Mr Loke Wai San	(Member and Non-Independent Non-Executive Director)

All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent. *<Provision 6.2>*

6.2 The key roles of the RC 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 RC 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 RC; *<Provision 6.1>*

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(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 RC 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 the RC is related to an employee under review, the said director abstains from participating in the review; and *<Provision 6.3>*

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

6.3 If necessary, the RC shall seek expert advice on remuneration of directors and key management personnel. For FY2019, the RC did not seek the service of an external remuneration consultant. *<Provision 6.4>*

LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

7.1 The Group adopts a compensation philosophy where the executive directors' and key management personnel's remuneration framework are structured in a way that links rewards to corporate and individual performance, taking into account comparable benchmarks. In building a sustainable and performing organization, the Group believes in creating a compensation structure that embraces competitive remuneration taking into consideration of prevailing market conditions, whilst aligning with the long-term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, share options, share-based incentives and awards, and benefits-in-kind. The RC's recommendations are made in consultation with the Chairman and submitted for endorsement by the entire Board. *<Provision 7.1 and 7.3>*

7.2 The Company has in place the long-term incentive schemes, including the ESOS and the PSP, that serve to motivate and reward the executive directors and key management personnel, and better align their interests with that of the Company. The Company has not granted share options under the ESOS so far. As at 31 December 2019, the Company has granted a total of 395,000 share awards pursuant to the PSP. The table below shows the share awards granted pursuant to the PSP during FY2019:

Date of grant of award	Number of awards* granted	Market price of the shares of the Company on date of grant (S$)	Number of awards* granted to directors and controlling shareholders (and their associates), if any
3 June 2019	395,000	0.30	395,000

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7.3 Any shares to be issued pursuant to the 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.

7.4 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. *<Provision 7.2>*

7.5 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 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

8.1 Mr Thomas Sean Murphy's and Mr Edward John Flachbarth's current service agreements with the Company ends on 30 June 2022. 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 retirement and post-employment benefits that are granted to the executive directors. The executive directors have been granted severance payments which are only payable to them for loss of office under certain specific circumstances. Further information can be found in the Interested Person Transactions section of this Governance Report.

8.2 The remuneration of the executive directors is linked directly to the Group's financial performance through a profit-sharing scheme. The Group's incentive bonus is allocated based on the Group's financial performance and the senior management may be rewarded with business unit level bonus on achievement of the key performance indicators. *<Provision 8.1>*

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8.3 A breakdown showing the level and mix of each individual director's remuneration paid/payable for FY2019 in bands of S$250,000 is as follows: *<Provision 8.3>*

Remuneration bands/ Name of director	Salary[1] (%)	Bonus (%)	Director's Fees (%)	Others[2] (%)	Total (%)
(i) **S$750,000 to below S$1,000,000**					
Mr Thomas Sean Murphy	64	–	–	36	100
(ii) **S$500,000 to below S$750,000**					
Mr Edward John Flachbarth	71	–	–	29	100
(iii) **Below S$250,000**					
Mr Ng Loh Ken Peter	–	–	100	–	100
Mr Wong Quee Quee, Jeffrey	–	–	100	–	100
Mr Loke Wai San	–	–	100	–	100
Mr Ho Chew Thim[3]	–	–	100	–	100
Dr Lim Puay Koon[4]	–	–	100	–	100

Notes:

(1) Included fixed allowances.

(2) Included fair value of the awards under the PSP for FY2017 and FY2019 vested during the year on or before 31 December 2019.

(3) The Director passed away on 6 August 2019 and the director fees have been pro-rated accordingly.

(4) Director fees pro-rated from 1 April 2020.

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 and the necessity to provide sound information to the investors for their investment decisions.

8.4 Given the 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 Global CEO) of the Group. For FY2019, 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 Global CEO) of the Group are provided below: *<Provision 8.1>*

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) Included employers' CPF and fair value of the awards under the PSP for FY2019 vested during the year on or before 31 December 2019.

The total remuneration, in aggregate, paid to the top 5 key executives of the Group (who are not directors or the Global CEO) for FY2019 is approximately S$2,272,000.

8.5 The Company does not have any employees who are substantial shareholders of the Company, or are immediate family members of a director, the Global CEO or substantial shareholder of the Company, and whose remuneration exceeds S$100,000 in FY2019.

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(C) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

9.1 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 to take appropriate measures to control and mitigate these risks.

9.2 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 ("**GIA**"). The Audit Committee evaluates the findings of the external and internal auditors on the Group's internal controls annually. *<Provision 9.1>*

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

Based on:

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

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

(c) the confirmations received from the Global 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, *<Provision 9.2>*

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

Notwithstanding the foregoing, 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.

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

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AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

10.1 The AC comprises:

Mr Ng Loh Ken Peter	(Chairman and Lead Independent Director)
Mr Wong Quee Quee, Jeffrey	(Member and Independent Director)
Dr Lim Puay Koon	(Member and Independent Director)
Mr Loke Wai San	(Member and Non-Independent Non-Executive Director)

All members of the AC are non-executive directors, the majority of whom, including the AC Chairman, are independent.

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

10.3 The AC 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 grants full cooperation and resources to enable the AC to discharge its functions properly.

10.4 The key roles of the AC include: *<Provision 10.1>*

(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 those 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;

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(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.

10.5 The AC has met with the external auditors and the GIA, in each case, without the presence of the management, at least annually. These meetings enable the auditors to raise any issues in the course of their work directly to the AC. *<Provision 10.5>*

10.6 The AC reviews the independence of the external auditor annually. In the selection of suitable auditing firms, the AC 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 the Company's Singapore-incorporated subsidiaries.

Most of the Group's subsidiaries have appointed the member firms of EY Global while the rest have appointed different auditors. The AC 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.

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The AC 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 FY2019 are tabulated in the table below:

Fees Paid and Payable	S$	%
Audit Services	568,000	92
Non-Audit Services	48,000	8
Total	616,000	100

The non-audit fees were mainly in relation to tax returns compliance services, other tax advisory services and fees relating to services rendered by the external auditors of the Company for the proposed acquisition of the Company's third-party maintenance business by Park Place Technologies, LLC. The AC is satisfied that the nature and extent of such services will not prejudice the independence of the external auditors of the Company.

10.7 The Group has implemented a whistle blowing policy. The whistle blowing policy provides 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. There were no reported incidents pertaining to whistle blowing during FY2019 until the date of this Annual Report.

10.8 The AC is updated annually on any changes in accounting standards by the external auditor. This ensures that the AC is kept abreast of changes to accounting standards and issues which have a direct impact on the Group's financial statements. The AC conducted meetings in FY2019 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.

10.9 No former partner or director of the Company's existing auditing firm is a member of the AC. *<Provision 10.3>*

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10.10 **Key Audit Matters ("KAM")**

In the review of the financial statements, the AC 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 AC:

KAM	How the AC reviewed these matters and what decisions were made
(a) Revenue recognition (b) Impairment assessment of intangible assets (c) Impairment assessment of receivables (d) Inventories write-down	The AC examined the findings on these and other financial reporting matters together with the external auditors and management. In these KAMs, the AC 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 AC concurred with the external auditors' opinion on the KAM. The AC considered the KAM reported by the external auditors and how those KAM have been addressed by the external auditors.

Internal Audit *<Provision 10.4>*

10.11 The GIA is independent of the Management and assists the Group in evaluating and assessing the effectiveness of internal controls and to consequently highlight the areas where control weakness exist, if any, so that improvements can be made.

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

10.13 The AC is satisfied that the GIA function is adequately resourced by personnel with the relevant qualifications and experience. *<Rule 719(3) of Listing Manual>*

10.14 The GIA 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.

10.15 The AC reviews the adequacy and effectiveness of the Group's internal controls, including financial operational, compliance and information technology controls and risk management systems through discussions with Management and its external auditors and GIA and report to the Board annually. *<Rule 1207(10C) of Listing Manual>*

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(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

11.1 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.

11.2 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. *<Provision 11.1>*

11.3 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. *<Provision 11.2>*

11.4 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. *<Provision 11.4>*

11.5 All the Directors attend the general meetings of the Company to address shareholders' questions relating to the Company's development and the work of the Board Committees. The external auditors are also present to address shareholders' queries about the conduct of the audit and preparation and content of the auditors' report. For the AGM held in FY2019, five directors (including the Chairman, independent directors and the chairman of all the Board committees) attended the meeting. One executive director was unable to attend the AGM in FY2019 due to an unexpected family medical emergency. *<Provision 11.3>*

11.6 Minutes of the general meetings are made available to shareholders upon their request. Since FY2018, the minutes of the general meetings are publicly available on the Company's website. *<Provision 11.5>*

11.7 The Company employs electronic polling at all 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.

GOVERNANCE REPORT

11.8 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 the Company's retained earnings, expected future earnings, operations, cash flow, capital requirements, general business and financing conditions, as well as other factors which the Board may determine appropriate. *<Provision 11.6>*

11.9 There was no dividend declared for FY2019 as the Group wishes to reserve funds for the future business development and expansion of the Group.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

12.1 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. The Company has in place an investor relations policy which promotes the timely dissemination of relevant information to the Company's shareholders and prospective investors to enable them to make well-informed investment decisions and to ensure a level playing field. The policy is available at the Company's website at the Investor Relations section. *<Provision 12.1>*

12.2 To enable shareholders to contact the Company easily, the contact details of the investor relations team are set out in this Annual Report as well as on the Company's website. The investor relations team has procedures in place for following up and responding to shareholders queries as soon as applicable. *<Provision 12.3>*

12.3 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.

12.4 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 Global CEO and the CFO, are typically present in these briefings. The results announcements and the analyst briefing presentations are all published on SGXNET and are also made available on the Company's website, www.procurri.com. *<Provision 12.2>*

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

GOVERNANCE REPORT

(E) ENGAGEMENT WITH STAKEHOLDERS

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

13.1 The Company has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth. *<Provision 13.1>*

13.2 The Company has identified the impacts that are material to investors and other stakeholders in order to streamline available resources. The Company also recognizes the importance of identifying issues that are significant to the financial operation of the business, as well as stakeholders, such as investors, society and customers.

13.3 The Company has undertaken a process to determine the environmental, social and governance ("**ESG**") issues which are important to these stakeholders. Please refer to Sustainability Report section of this Annual Report for further details. *<Provision 13.2>*

13.4 All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's website. The Company does not practice selective disclosure of material information. All materials on different period financial results are available on the Company's website – www.procurri.com. The comprehensive website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders. *<Provision 13.3>*

(F) OTHER CORPORATE GOVERNANCE MATTERS

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 Global CEO, any director or controlling shareholders, either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

DEALING IN SECURITIES

With reference to Listing Rule 1207(19), 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.

GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company has established procedures for recording and reporting interested person transactions in a timely manner to the AC and that transactions are conducted on an 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 FY2019 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
Thomas Sean Murphy(1)	750	–
Edward John Flachbarth(2)	600	–

Notes:

(1) Pursuant to Mr Thomas Sean Murphy's ("**Mr Murphy**") service agreement, in the event of Mr. Murphy's loss of office under certain specific circumstances as set out in his service agreement, the Company shall pay to him an amount capped at S$750,000. The said amount has not been paid to Mr. Murphy as it is only payable in the event of his loss of office under certain specific circumstances and no provision has been recorded as at the date hereof.

(2) Pursuant to Mr. Edward John Flachbarth's ("**Mr. Flachbarth**") service agreement, in the event of Mr. Flachbarth's loss of office under certain specific circumstances as set out in his service agreement, the Company shall pay to him an amount capped at S$600,000. The said amount has not been paid to Mr. Flachbarth as it is only payable in the event of his loss of office under certain specific circumstances and no provision has been recorded as at the date hereof.

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	20,089	17,800	2,289
Enhancement of infrastructure	1,911	1,911	–
Repayment of the DeClout loans	6,081	6,081	–
Working capital purposes	6,744	6,744	–
Total	34,825	32,536	2,289

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 are pleased to 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 2019.

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 2019 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
Ng Loh Ken Peter
Wong Quee Quee, Jeffrey
Edward John Flachbarth
Loke Wai San

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 in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

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 or date of appointment**	**At end of the financial year**	**At end of 21 January 2020**	**At beginning of the financial year or date of appointment**	**At end of the financial year**	**At end of 21 January 2020**
The Company						
Ordinary shares						
Thomas Sean Murphy	2,063,000	9,784,811	9,784,811	33,995,000	–	–
Edward John Flachbarth	1,068,000	9,359,856	9,359,856	33,995,000	–	–
Ng Loh Ken Peter	137,600	137,600	137,600	–	–	–
Wong Quee Quee, Jeffrey	123,800	123,800	123,800	–	–	–
Loke Wai San	–	–	–	36,319,978	36,319,978	36,319,978
Share awards granted under Procurri Performance Share Plan						
Thomas Sean Murphy	412,800	412,800	412,800	–	–	–
Ng Loh Ken Peter	–	135,000	135,000	–	–	–
Wong Quee Quee, Jeffrey	–	122,000	122,000	–	–	–

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:

– Wong Quee Quee, Jeffrey (Chairman of the RC and independent and non-executive director)

– Ng Loh Ken Peter (Chairman of AC and lead independent and non-executive director)

– Loke Wai San (Non-independent and non-executive director)

DIRECTORS' STATEMENT

Share options and awards (Continued)

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

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
2018	4,760,900	–	2,632,400	1,715,700	412,800
2019	**412,800**	**395,000**	**–**	**138,000**	**669,800**

The Company has granted 395,000 shares under the Procurri PSP on 3 June 2019. No shares have been vested for the financial year ended 31 December 2019.

DIRECTORS' STATEMENT

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 since the start of the plan to end of year	Aggregate number of shares comprised in awards outstanding as at end of year
Directors					
Thomas Sean Murphy	1,256,000	–	843,200	–	412,800
Edward John Flachbarth	912,000	–	568,000	344,000	–
Ng Loh Ken Peter	272,600	135,000	137,600	–	135,000
Wong Quee Quee, Jeffrey	245,800	122,000	123,800	–	122,000

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:

– Ng Loh Ken Peter (Chairman of AC and lead independent and non-executive director)

– Wong Quee Quee, Jeffrey (Chairman of the RC and independent and non-executive director)

– Loke Wai San (Non-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 2018 and 2019.

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 lead independent and non-executive director)
Wong Quee Quee, Jeffrey	(Chairman of the RC and independent and non-executive director)
Loke Wai San	(Non-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

31 March 2020

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 2019, 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 2019 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key Audit Matters (Continued)

Revenue Recognition

The Group recognised revenue from sale of goods of $149,764,000 (2018: $154,802,000) 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 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 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 2019, the carrying value of the goodwill is $12,006,000 (2018: $11,814,000) which represents 29% (2018: 31%) of the total non-current assets and 26% (2018: 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 15, 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 15 to the financial statements.

Impairment Assessment of Trade Receivables

The Group's trade receivable balances were significant as they represent 43% of the total current assets in the consolidated balance sheet. The gross trade receivables and allowance for expected credit loss of trade receivables amounted to $48,091,000 (2018: $50,791,000) and $1,544,000 (2018: $1,528,000) respectively as at 31 December 2019. 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Key Audit Matters (Continued)

Impairment Assessment of Trade Receivables (Continued)

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 ageing 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 18 and the related risks such as credit risk and liquidity risk in Note 31.

Inventories Write-down

The Group's total inventories and the related allowance to write-down to net realisable value ("NRV") amounted to $26,354,000 (2018: $21,816,000) and $1,999,000 (2018: $2,965,000) respectively as at 31 December 2019. 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 ageing 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 17 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 skepticism 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
31 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019	2018
		$'000	$'000
Revenue	4	**221,289**	220,236
Cost of sales		**(141,186)**	(139,733)
Gross profit		**80,103**	80,503
Other items of income			
Other income	5	**1,130**	1,704
Other credits	8	**255**	339
Other items of expense			
Selling expenses		**(17,993)**	(16,239)
Administrative expenses		**(54,320)**	(49,985)
Finance costs	7	**(1,497)**	(678)
Other charges	8	**(2,941)**	(5,567)
Profit before tax	9	**4,737**	10,077
Income tax expense	10	**(962)**	(4,740)
Profit for the year		**3,775**	5,337
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**267**	(452)
Other comprehensive income for the year		**267**	(452)
Total comprehensive income for the year		**4,042**	4,885
Profit for the year attributable to:			
Owners of the Company		**3,775**	5,337
Total comprehensive income attributable to:			
Owners of the Company		**4,042**	4,885
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	**1.33**	1.89
Diluted	11	**1.30**	1.89

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

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Non-current assets					
Plant and equipment	12	**13,005**	22,054	**11,808**	20,584
Right-of-use assets	13	**9,508**	–	**523**	–
Investment in subsidiaries	14	**–**	–	**44,387**	44,345
Intangible assets	15	**13,687**	12,853	**520**	1,039
Finance lease receivables	16	**864**	1,304	**–**	–
Deferred tax assets	10	**4,275**	1,622	**749**	309
		41,339	37,833	**57,987**	66,277
Current assets					
Inventories	17	**26,354**	21,816	**–**	–
Trade and other receivables	18	**51,214**	53,365	**17,247**	11,641
Prepayments	19	**13,375**	8,333	**20**	16
Finance lease receivables	16	**500**	854	**–**	–
Derivative financial asset	20	**–**	1,043	**–**	–
Cash and bank balances	21	**17,132**	18,082	**5,847**	9,655
		108,575	103,493	**23,114**	21,312
Total assets		**149,914**	141,326	**81,101**	87,589
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	22	**46,680**	32,246	**4,620**	6,747
Deferred income	23	**25,386**	18,831	**–**	–
Loans and borrowings	24	**11,230**	9,993	**2,694**	3,802
Lease liabilities	13	**2,483**	–	**214**	–
Income tax payable		**1,580**	4,884	**1,133**	2,074
		87,359	65,954	**8,661**	12,623
Net current assets		**21,216**	37,539	**14,453**	8,689
Non-current liabilities					
Deferred tax liabilities	10	**63**	144	**–**	–
Loans and borrowings	24	**5,463**	4,094	**1,347**	4,094
Lease liabilities	13	**7,826**	–	**313**	–
Provisions	25	**681**	561	**65**	65
Deferred income	23	**1,822**	1,532	**–**	–
		15,855	6,331	**1,725**	4,159
Total liabilities		**103,214**	72,285	**10,386**	16,782
Net assets		**46,700**	69,041	**70,715**	70,807
Equity attributable to owners of the Company					
Share capital	26	**71,703**	71,703	**71,703**	71,703
Retained earnings/ (accumulated losses)		**21,942**	18,167	**(1,184)**	(972)
Other reserves	27	**(46,945)**	(20,829)	**196**	76
		46,700	69,041	**70,715**	70,807
Non-controlling interests*		**–**	–	**–**	–
Total equity		**46,700**	69,041	**70,715**	70,807
Total equity and liabilities		**149,914**	141,326	**81,101**	87,589

* 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 2019

Group	Share capital (Note 26) $'000	Retained earnings $'000	Other reserves (Note 27) $'000	Equity attributable to owners of the Company $'000	Total equity $'000
Opening balance at 1 January 2019	**71,703**	**18,167**	**(20,829)**	**69,041**	**69,041**
Total comprehensive income for the financial year	**–**	**3,775**	**267**	**4,042**	**4,042**
Contributions by and distributions to owners					
Share-based payment	**–**	**–**	**120**	**120**	**120**
Acquisition of non-controlling interests (Note 14)	**–**	**–**	**(26,503)**	**(26,503)**	**(26,503)**
Closing balance at 31 December 2019	**71,703**	**21,942**	**(46,945)**	**46,700**	**46,700**
Opening balance at 1 January 2018	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

Company	Share capital (Note 26) $'000	Accumulated losses $'000	Other reserves (Note 27) $'000	Total equity $'000
Opening balance at 1 January 2019	**71,703**	**(972)**	**76**	**70,807**
Total comprehensive income for the year	**–**	**(212)**	**–**	**(212)**
Contributions by and distributions to owners				
Share-based payment	**–**	**–**	**120**	**120**
Closing balance at 31 December 2019	**71,703**	**(1,184)**	**196**	**70,715**
Opening balance at 1 January 2018	70,938	598	447	71,983
Total comprehensive income for the year	–	(1,570)	–	(1,570)
Contributions by and distributions to owners				
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

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 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from operating activities			
Profit before tax		**4,737**	10,077
Adjustments for:			
Depreciation of plant and equipment	12	**7,995**	8,384
Depreciation of right-of-use assets	13	**2,388**	–
Amortisation of intangible assets	15	**728**	600
Share-based payment	28	**120**	394
Loss on disposal of plant and equipment	8	**–**	12
Gain on fair value of derivative financial asset	8	**–**	14
Unwinding of discount interest on Post-Closing Payment	8	**587**	–
Interest income	5	**(186)**	(241)
Finance costs	7	**1,497**	678
Inventories written down	8	**1,999**	2,965
Impairment loss on trade and other receivables	8	**355**	2,576
Provisions	25	**207**	108
Exchange differences		**(107)**	105
Operating cash flows before changes in working capital		**20,320**	25,672
Increase in inventories		**(3,485)**	(3,146)
Decrease/(increase) in trade and other receivables		**505**	(7,292)
Decrease in finance lease receivables		**793**	1,313
Increase in prepayments		**(5,043)**	(2,898)
Increase/(decrease) in deferred income		**6,845**	(985)
Increase in trade and other payables and provisions		**1,591**	2,226
Net cash generated from operations		**21,526**	14,890
Income taxes paid		**(3,113)**	(3,853)
Net cash generated from operating activities		**18,413**	11,037
Cash flows from investing activities			
Purchase of plant and equipment		**(2,873)**	(3,494)
Proceeds from disposal of plant and equipment		**121**	347
Placement of fixed deposits pledged for banking facilities		**–**	(4)
Placement of fixed deposit		**–**	(4,094)
Proceeds from maturity of fixed deposits		**1,418**	–
Interest received		**186**	241
Net cash used in investing activities		**(1,148)**	(7,004)

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 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from financing activities			
Proceeds from loans and borrowings		**145,532**	111,811
Repayments of loans and borrowings		**(141,821)**	(119,133)
Payment of principal portion of lease liabilities		**(2,174)**	(787)
Acquisition of non-controlling interest		**(16,271)**	–
Decrease in amounts due to holding company		**–**	(274)
Interest paid		**(1,497)**	(678)
Net cash used in financing activities		**(16,231)**	(9,061)
Net increase/(decrease) in cash and cash equivalents		**1,034**	(5,028)
Effect of exchange rate changes on cash and cash equivalents		**(84)**	28
Cash and cash equivalents at beginning of the financial year		**10,673**	15,673
Cash and cash equivalents at end of the financial year (Note 21)		**11,623**	10,673

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. CORPORATE INFORMATION

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

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

The principal activities of the Company are those of wholesale of computer hardware and peripheral equipment and investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

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)").

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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 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) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form* of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

SFRS(I) 16 *Leases* (Continued)

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The effect of adoption SFRS(I) 16 as at 1 January 2019 is, as follows:

	Increase/ (decrease) $'000
Right-of-use assets	6,605
Lease liabilities	7,530
Accrued operating expenses – rent free accruals	(385)
Loans and borrowings (include finance lease obligations)	(540)

The Group has lease contracts for office buildings and warehouses. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Refer to Note 2.18 for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.18 for the accounting policy beginning on and after 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (Continued)

SFRS(I) 16 *Leases* (Continued)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for the leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group $'000
Operating lease commitments as at 31 December 2018	8,214
Weighted average incremental borrowing rate as at 1 January 2019	5.28%
Discounted operating lease commitments as at 1 January 2019	6,199
Less:	
Commitments relating to short-term leases	361
Commitments relating to lease of low-value assets	430
Add:	
Commitments relating to leases previously classified as finance leases	540
Lease liabilities as at 1 January 2019	7,530

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS (I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

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 unrealized 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (Continued)

(b) Business combinations and goodwill (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Plant and equipment (Continued)

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 derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 Intangible assets

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

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

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

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:

Software	–	5 years
Technical know-how	–	5 years

Gains or losses arising from derecognition 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

(a) Financial assets (Continued)

Subsequent measurement

Investments in debt instruments

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 fair value through other comprehensive income ("OCI") 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial instruments (Continued)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.17 Employee benefits

(a) Defined contributions plan

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases

These accounting policies are applied on and after the initial application date of FRS 116, 1 January 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office premises	–	2 – 10 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful impairment. The right-of-use assets are also subject to impairment. Refer to Note 2.9.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

(a) As lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(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. Contingent rents are recognised as revenue in the period in which they are earned.

These accounting policies are applied before the initial application date of FRS 116, 1 January 2019:

As lessee

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.

As lessor

The accounting policy applicable to the Company as a lessor in the comparative period was the same as under FRS 116.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Revenue recognition (Continued)

(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 amortization period of the asset that would otherwise be recognised is one year or less.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Taxes (Continued)

(b) Deferred tax (Continued)

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 investment in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Taxes (Continued)

(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;

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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 18 to the financial statements.

The carrying amount of trade receivables at the end of the reporting period is disclosed in Note 18.

(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 2019 was $26,354,000 (2018: $21,816,000) and $1,999,000 (2018: $2,965,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(c) Impairment assessment of goodwill

As disclosed in Note 15 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 model. 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 15 to the financial statements.

The carrying amount of the goodwill as at 31 December 2019 is disclosed in Note 15.

4. REVENUE

(a) Disaggregation of revenue

	IT Distribution		Lifecycle Services		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Major revenue stream						
Sale of goods	**149,764**	154,802	**–**	–	**149,764**	154,802
Rendering of services	**–**	–	**67,757**	62,154	**67,757**	62,154
Equipment rental and leasing	**–**	–	**3,768**	3,280	**3,768**	3,280
	149,764	154,802	**71,525**	65,434	**221,289**	220,236
Timing of transfer of goods or services						
At a point in time	**149,764**	154,802	**10,774**	8,171	**160,538**	162,973
Over time	**–**	–	**60,751**	57,263	**60,751**	57,263
	149,764	154,802	**71,525**	65,434	**221,289**	220,236

	2019	**2018**
	$'000	**$'000**
Primary geographical markets		
Singapore	**23,036**	31,574
Europe, the Middle East and Africa	**71,009**	63,129
Americas	**123,276**	120,992
Others	**3,968**	4,541
	221,289	220,236

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. REVENUE (CONTINUED)

(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, management relies on historical experience with product returns of customers, analysed by customers and geographical areas.

(c) Deferred income

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

	2019 $'000	2018 $'000
Deferred income	**27,208**	20,363

Deferred income primarily relates to the Group's obligation to transfer goods or services to customers for which the Group has received advances 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	
	2019 $'000	2018 $'000
Revenue recognised that was included in the deferred income balance at the beginning of the year	**18,831**	20,527

5. OTHER INCOME

	Group	
	2019 $'000	2018 $'000
Interest income on:		
– Finance lease receivables	**58**	151
– Fixed deposits	**128**	90
Government grants	**23**	31
Recovery of freight costs	**59**	172
Sales of other ancillary services	**706**	984
Rental of carpark	**11**	–
Others	**145**	276
	1,130	1,704

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019	**2018**
	$'000	**$'000**
Salaries, allowances, bonuses and commissions	**51,598**	46,778
Contributions to defined contribution plan	**3,666**	3,172
Share-based payments (Note 28)	**120**	394
Other short-term benefits	**4,707**	3,732
	60,091	54,076

The employee benefits expense is charged under:

Administrative expenses	**37,560**	34,867
Cost of sales	**5,631**	3,966
Selling expenses	**16,900**	15,243
	60,091	54,076

7. FINANCE COSTS

	Group	
	2019	**2018**
	$'000	**$'000**
Interest expense on:		
– Bank loans, revolving loans, bank overdrafts, trade receivables factoring, and trust receipts carried at amortised cost	**883**	636
– Finance lease obligations	**–**	42
– Lease liabilities (Note 13)	**614**	–
	1,497	678

8. OTHER CHARGES, NET

	Group	
	2019	**2018**
	$'000	**$'000**
Other charges		
Inventories written down (Note 17)	**(1,999)**	(2,965)
Impairment loss on trade and other receivables (Note 18)	**(355)**	(2,576)
Loss on disposal of plant and equipment	**–**	(12)
Loss on fair value of derivative financial asset (Note 20)	**–**	(14)
Unwinding of discount interest on Post-Closing Payment (Note 14)	**(587)**	–
	(2,941)	(5,567)
Other credit		
Foreign exchange gain, net	**255**	339
Other charges, net	**(2,686)**	(5,228)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9. PROFIT BEFORE TAX

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

	Group	
	2019	**2018**
	$'000	**$'000**
Employee benefits expense (Note 6)	**60,091**	54,076
Operating lease expense	**878**	2,544
Depreciation of plant and equipment (Note 12)	**7,995**	8,384
Depreciation of right-of-use assets (Note 13)	**2,388**	–
Amortisation of intangible assets (Note 15)	**728**	600
Professional fees	**1,398**	1,626
Director fees	**306**	192

10. INCOME TAX EXPENSE

Components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2019 and 2018 are:

	Group	
	2019	**2018**
	$'000	**$'000**
Current income tax:		
Current income taxation	**(1,413)**	(5,479)
Over/(under) provision in respect of previous years	**70**	(178)
	(1,343)	(5,657)
Deferred income tax:		
Origination and reversal of temporary differences	**(9)**	614
Over provision in respect of previous years	**120**	34
Utilisation of previously unrecognised deferred tax asset	**270**	269
	381	917
Income tax expense recognised in profit or loss	**(962)**	(4,740)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INCOME TAX EXPENSE (CONTINUED)

Components of income tax expense (Continued)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Profit before tax	**4,737**	10,077
Tax at the domestic rates applicable to profits/(loss) in the countries where the Group operates	**(748)**	(4,136)
Non-deductible expenses	**(1,136)**	(969)
Income not subject to tax	**384**	98
Effect of partial tax exemption, tax incentives and tax relief	**66**	72
Over/(under) provision of income tax expense in respect of previous years	**70**	(178)
Over provision of deferred income tax expense in respect of previous years	**120**	34
Utilisation of previously unrecognised deferred tax asset	**270**	269
Effect of changes in tax rate	**45**	–
Others	**(33)**	70
Income tax expense recognised in profit or loss	**(962)**	(4,740)

Deferred tax credit recognised in profit or loss includes:

	Group	
	2019	**2018**
	$'000	**$'000**
Fair value adjustments on acquisition of subsidiary	**–**	15
Excess of net book value of plant and equipment over tax values	**80**	1,015
Unutilised tax losses	**(21)**	(137)
Unutilised capital allowances	**–**	(578)
Provisions	**202**	618
Over provision in respect of previous years	**120**	34
Others	**–**	(50)
Total deferred tax credit recognised in profit or loss	**381**	917

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INCOME TAX EXPENSE (CONTINUED)

Deferred tax credit recognised in equity includes:

	Group	
	2019 $'000	**2018 $'000**
Acquisition of non-controlling interests	**2,353**	–

Deferred tax balance in balance sheets:

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018**
Deferred tax assets/(liabilities)				
Tax benefit arising from acquisition of non-controlling interests	**2,353**	–	**–**	–
Excess of net book value of plant and equipment over tax values	**275**	75	**555**	305
Unutilised tax losses	**–**	21	**–**	–
Provisions	**1,584**	1,382	**194**	4
	4,212	1,478	**749**	309
Presented in the balance sheets as follow:				
Deferred tax assets	**4,275**	1,622	**749**	309
Deferred tax liabilities	**(63)**	(144)	**–**	–
	4,212	1,478	**749**	309

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

- United Kingdom: From 19% to 18% (1 April 2020 onwards)

Unrecognised temporary differences relating to investment 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 $29,744,000 (2018: $24,180,000). The deferred tax liability is estimated to be $3,435,000 (2018: $2,837,000).

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $146,000 (2018: $1,734,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. INCOME TAX EXPENSE (CONTINUED)

Deferred tax balance in balance sheets: (Continued)

Unrecognised deferred tax assets arising from acquisition of non-controlling interests

At the end of the reporting period, the Group has unrecognised deferred tax assets of approximately $4,235,000 arising from the acquisition of non-controlling interests (Note 14). From tax perspective, there is a step-up to the fair market value of the 49% non-controlling interests acquired, resulting in a difference between the tax base and accounting base. The Group has recognised $2,353,000 of deferred tax assets as at 31 December 2019. The remaining deferred tax assets of $4,235,000 are not recognised due to uncertainty of its recoverability.

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:

	2019 $'000	2018 $'000
Profit for the year attributable to owners of the Company	**3,775**	5,337

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for earnings per share computation	**284,689**	282,625
Effect of dilutions:		
– Contingently issuable performance shares	**670**	413
– Contingently issuable shares on Post-Closing Payment (Note 36)	**5,555**	–
Weighted average number of ordinary shares for diluted earnings per share computation	**290,914**	283,038

	2019	2018
Earnings per share attributable to owners of the Company (cents per share)		
Basic	**1.33**	1.89
Diluted	**1.30**	1.89

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 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 inventories	–	–	186	(395)	–	(209)
Exchange differences	(42)	–	(56)	14	(2)	(86)
At 31 December 2018 and 1 January 2019	2,794	140	10,140	31,900	119	45,093
Additions	544	–	953	1,316	72	2,885
Disposals	–	–	(79)	(377)	–	(456)
Reclassification to inventories*	(13)	–	(439)	(9,509)	–	(9,961)
Exchange differences	23	–	(68)	(8)	2	(51)
At 31 December 2019	3,348	140	10,507	23,322	193	37,510
Accumulated depreciation:						
At 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 and 1 January 2019	1,564	79	6,899	14,409	88	23,039
Depreciation charge for the year	674	–	1,648	5,657	16	7,995
Disposals	–	–	(55)	(277)	–	(332)
Reclassification to inventories*	–	–	(745)	(5,407)	–	(6,152)
Exchange differences	13	–	(51)	(7)	–	(45)
At 31 December 2019	2,251	79	7,696	14,375	104	24,505
Net book value:						
At 31 December 2018	1,230	61	3,241	17,491	31	22,054
At 31 December 2019	1,097	61	2,811	8,947	89	13,005

* The Group has reclassed the maintenance parts with an aggregate net book value of $4,102,000 in Singapore and Malaysia to inventories. The reclassification of maintenance parts from plant and equipment to inventories is due to the business decision to hold the maintenance parts for both trading purpose and maintenance contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold improvement $'000	Plant and equipment $'000	Maintenance parts $'000	Total $'000
Cost:				
At 1 January 2018	1,799	1,746	26,583	30,128
Additions	–	–	4,224	4,224
Disposals	–	–	(241)	(241)
At 31 December 2018 and 1 January 2019	1,799	1,746	30,566	34,111
Additions	–	–	1,939	1,939
Transfer-out*	–	–	(9,938)	(9,938)
At 31 December 2019	1,799	1,746	22,567	26,112
Accumulated depreciation:				
At 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 and 1 January 2019	1,179	1,613	10,735	13,527
Depreciation charge for the year	458	49	6,106	6,613
Transfer-out*	–	–	(5,836)	(5,836)
At 31 December 2019	1,637	1,662	11,005	14,304
Net book value:				
At 31 December 2018	620	133	19,831	20,584
At 31 December 2019	162	84	11,562	11,808

* The Company has transferred the maintenance parts with an aggregate net book value of $4,102,000 in Singapore and Malaysia to its subsidiaries, Procurri Singapore and Procurri Malaysia. The reclassification of maintenance parts from plant and equipment to inventories is due to the business decision to hold the maintenance parts for both trading purpose and maintenance contracts.

The depreciation expense is charged under:

	Group 2019 $'000	Group 2018 $'000
Cost of sales	**6,522**	6,691
Administrative expenses	**1,473**	1,693
	7,995	8,384

Purchase of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of $2,885,000 (2018: $3,708,000), of which $12,000 (2018: $214,000) is payable to the supplier as at 31 December 2019. The cash outflow on acquisition of property, plant and equipment amounted to $2,873,000 (2018: $3,494,000).

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 2019 is $1,542,000 (2018: $2,388,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. LEASES

As a lessee

The Group has lease contracts for office premises. The Group's obligations under these leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension options which are further discussed below.

The Group also has certain leases of computer equipment, data centre racks and rental of office premises with lease terms of 12 months or less and with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Office premises	Group 2019 $'000	Company 2019 $'000
As at 1 January (Restated)	6,605	–
Additions	5,050	649
Charge for the year	(2,388)	(126)
Exchange differences	241	–
As at 31 December	9,508	523

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Note	Group 2019 $'000	Company 2019 $'000
At 1 January (Restated)		**7,530**	–
Additions		**5,050**	649
Accretion of interest	7	**614**	10
Payments		**(2,782)**	(132)
Exchange differences		**(103)**	–
At 31 December		**10,309**	527

	Maturity	Group 2019 $'000	Company 2019 $'000
Current	2020	**2,483**	214
Non-current	2021 – 2028	**7,826**	313
Total lease liabilities		**10,309**	527

The maturity analysis of lease liabilities is disclosed in Note 31(b).

Lease liabilities denominated in foreign currencies as at 31 December are as follows:

	Group 2019 $'000	Company 2019 $'000
United States Dollars	4,751	–
Great Britain Pound	3,389	–
Euro	567	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. LEASES (CONTINUED)

As a lessee (Continued)

The following are the amounts recognised in profit or loss:

	Note	Group 2019 $'000
Depreciation expense of right-of-use assets		**2,388**
Interest expense on lease liabilities	7	**614**
Lease expense not capitalised in lease liabilities:		
– Expense relating to short-term leases (included in sales and distribution costs and general and administrative expenses)		**483**
– Expense relating to leases of low-value assets (included in sales and distribution costs and general and administrative expenses)		**395**
Total	9	**878**
Total amount recognised in profit or loss		**3,880**

The Group had total cash outflows for leases of $3,660,000 in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of $5,050,000 in 2019.

As at 31 December 2019, included within the total lease liabilities is a $72,000 relating to leases previously classified as finance lease.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised.

As a lessor

Operating leases – as lessor

The Group acts as a lessor for the managed services receivable and rentals receivable for certain plant and equipment. These leases have an average term of one month to five years.

Income from the operating lease recognised during the financial year was $3,759,000 (2018: $3,215,000).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:–

	Group 2019 $'000
Not later than one year	**1,919**
Later than one year and not later than five years	**282**
Total undiscounted lease payments	**2,201**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES

	Company 2019 $'000	Company 2018 $'000
Shares, at cost	**42,369**	42,369
Issuance of Procurri PSP to employees of subsidiaries	**2,018**	1,976
	44,387	44,345

Composition of the Group

The Group has the following significant investment in subsidiaries.

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2019 %	Percentage of equity held 2018 %
Procurri Singapore Pte. Ltd. (“Procurri Singapore”)[(a)] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripheral equipment	**100**	100
Procurri Malaysia Sdn. Bhd. (“Procurri Malaysia”)[(c)] Malaysia	Sales of all kinds of computer systems and hardware, provision of maintenance and related services, and rental of computer parts and fully configured servers	**100**	100
Procurri Asia Pacific Pte. Ltd. (“Procurri Asia Pacific”)[(a)] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripheral equipment	**100**	100
ASVIDA UK Limited[(c)] United Kingdom	Investment holding	**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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2019 %	2018 %
Held through ASVIDA UK Limited:			
Procurri LLC[(b)] United States	Business of provision of information technology solutions	**100**	100
Procurri Europe Limited ("PEL")[(b)] 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
Held through PEL:			
Procurri GmbH ("PGmbH")[(e)] United Kingdom	Sale and distribution of computer hardware products, maintenance and other services related to IT systems and networks	**100**	–
Procurri UK Limited ("PUK")[(b)(d)] 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
Held through Procurri LLC:			
Procurri S. de R.L. de C.V.[(e)] Mexico	Business of provision of information technology solutions	**100**	100
Rockland Congruity LLC[(b)] United States	Engage in IT hardware and enterprise support by offering independent maintenance and IT support services in the Americas	**100**	51
Held through PUK:			
EAF Supply Chain Limited ("EAFSC")[(d)] United Kingdom	Distribution of information technology (IT) spare parts	**–**	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) Liquidated during the year

(e) Not required to be audited under the laws of the country of incorporation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary

(a) Rockland Congruity LLC

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. The rights to distributions is extended to 31 March 2019.

(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.

In 2019, the acquisition was completed. The first payment of US$12,000,000 was paid on 30 March 2019. The next payment of US$10,000,000 ("Post-Closing Payment") is expected to be paid out on 31 January 2020. For the Post-Closing Payment, the Group has the option to satisfy a portion of such payment obligation in an amount up to US$2,000,000 through the transfer or issuance of shares of the Company to Congruity LLC.

With the first tranche of payment, acquisition of remaining 49% has been completed and Rockland becomes a wholly-owned subsidiary of the Group. The changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Acquisition of subsidiary (Continued)

(a) Rockland Congruity LLC (Continued)

The following summarises the effect of the change in the Group's ownership interest in Rockland on the equity attributable to owners of the Company:

	2019 $'000
Consideration paid for acquisition of non-controlling interests	28,856
Less: Recognised deferred tax assets arising from the acquisition of non-controlling interests	(2,353)
Less: Equity attributable to non-controlling interests	–*
Increase in equity attributable to owners of the Company (Note 27)	26,503

* Less than $1,000

Incorporation of subsidiary

(a) Procurri GmbH

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.

15. INTANGIBLE ASSETS

Group	Goodwill $'000	Customer relationship $'000	Technical know-how $'000	Software $'000	Total $'000
Cost:					
At 1 January 2018	12,197	934	2,598	–	15,729
Exchange differences	(383)	12	–	–	(371)
At 31 December 2018 and 1 January 2019	11,814	946	2,598	–	15,358
Additions	–	–	–	1,375	1,375
Exchange differences	192	–	–	(8)	184
At 31 December 2019	12,006	946	2,598	1,367	16,917
Accumulated amortisation and impairment:					
At 1 January 2018	–	867	1,038	–	1,905
Amortisation charge for the year (Note 9)	–	79	521	–	600
At 31 December 2018 and 1 January 2019	–	946	1,559	–	2,505
Amortisation charge for the year (Note 9)	–	–	519	209	728
Exchange differences	–	–	–	(3)	(3)
At 31 December 2019	–	946	2,078	206	3,230
Net book value:					
At 31 December 2018	11,814	–	1,039	–	12,853
At 31 December 2019	12,006	–	520	1,161	13,687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15. INTANGIBLE ASSETS (CONTINUED)

Company	Technical know-how $'000
Cost:	
At 1 January 2018, 31 December 2018 and 2019	2,598
Accumulated amortisation and impairment:	
At 1 January 2018	1,038
Amortisation charge for the year	521
At 31 December 2018 and 1 January 2019	1,559
Amortisation charge for the year	519
At 31 December 2019	2,078
Net book value:	
At 31 December 2018	1,039
At 31 December 2019	520

Amortisation expense

The amortisation of customer relationship, technical know-how and software 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	
	2019 $'000	2018 $'000
PEL[(a)]	**9,444**	9,248
Procurri Malaysia[(b)]	**2,562**	2,566
	12,006	11,814

(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 (2018: 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 10.00% (2018: 5.00% to 20.00%) growth rate on revenue. A terminal growth rate of 1.00% (2018: 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") was 12.35% (2018: 9.22%) 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.

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15. INTANGIBLE ASSETS (CONTINUED)

Goodwill (Continued)

(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 (2018: 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 5.0% to 33.00% (2018: 0.45% to 15.00%) growth rate on revenue. A terminal growth rate of 1.00% (2018: 2.00%) 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 15.00% (2018: 15.57%) 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.

16. FINANCE LEASE RECEIVABLES

Group	Minimum payments $'000	Unearned finance income $'000	Present value $'000
31.12.2019			
Minimum lease payments receivable:			
Not later than one year	**539**	**(39)**	**500**
Later than one year and not later than five years	**891**	**(27)**	**864**
	1,430	**(66)**	**1,364**
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

The average lease term is one to five years (2018: one to five years). The average effective interest rate is 1.69% to 8.77% (2018: 2.98% to 6.78%) 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.

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17. INVENTORIES

	Group	
	2019 $'000	2018 $'000
Balance sheet:		
Computer equipment and peripheral equipment held for sale	**26,354**	21,816
Income statement:		
Inventories recognised as an expense in cost of sales	**103,851**	105,606
Other inventory charges:		
– Inventories written down (Note 8)	**1,999**	2,965

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables				
– Third parties	**48,091**	50,791	**–**	–
Less: Impairment loss	**(1,544)**	(1,528)	**–**	–
	46,547	49,263	**–**	–
– Amount due from subsidiaries	**–**	–	**8,724**	5,145
– Amount due from holding companies	**–**	2	**–**	–
– Amount due from related companies	**–**	4	**–**	–
Total trade receivables, net	**46,547**	49,269	**8,724**	5,145
Other receivables				
– Third parties	**2,024**	425	**35**	51
– Sales tax receivables	**1,082**	1,069	**–**	–
– Advances to staff	**484**	381	**–**	–
– Deposit	**840**	702	**45**	137
– Amounts due from subsidiaries	**–**	–	**4,858**	695
– Loans to subsidiaries	**–**	–	**3,585**	5,613
– Tax recoverable	**1,259**	2,550	**–**	–
	5,689	5,127	**8,523**	6,496
Less: Impairment loss	**(1,022)**	(1,031)	**–**	–
Total other receivables, net	**4,667**	4,096	**8,523**	6,496
Total trade and other receivables	**51,214**	53,365	**17,247**	11,641
Add: Cash and bank balances (Note 21)	**17,132**	18,082	**5,847**	9,655
Less: Sales tax receivables	**(1,082)**	(1,069)	**–**	–
Less: Tax recoverable	**(1,259)**	(2,550)	**–**	–
Total financial assets carried at amortised cost	**66,005**	67,828	**23,094**	21,296

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18. 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 $1,045,000 (2018: $727,000) transferred to a factoring bank (Note 24).

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

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
United States Dollars	**34,005**	43,598	**12,383**	9,933
Great Britain Pound	**11,411**	7,143	**–**	–
Euro	**1,861**	1,780	**–**	–
Malaysian Ringgit	**783**	813	**–**	–
Chinese Renminbi	**266**	287	**–**	–
Indian Rupee	**619**	365	**–**	–

Expected credit losses ("ECL")

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

	Group 2019 $'000	Group 2018 $'000
Movement in allowance accounts:		
At 1 January	**2,559**	1,115
Charge for the year (Note 8)	**355**	2,576
Written off	**(340)**	(1,132)
Foreign exchange movements	**(8)**	–
At 31 December	**2,566**	2,559

Other receivables

Included within other receivables from third parties is an interest-free loan receivable due from Congruity LLC of US$1,300,000 which will be netted-off against the Post-Closing Payment of US$10,000,000 payable to Congruity LLC in financial year ending 31 December 2020. Please refer to Note 36.

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

Loans to subsidiaries are unsecured, bears interest of 2.7% (2018: 2.5% to 5.5%), repayable within next twelve months and are to be settled in cash.

All loans to subsidiaries are denominated in United States Dollars.

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19. PREPAYMENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Advances to suppliers	**12,864**	7,788	**–**	–
Prepayments	**511**	545	**20**	16
	13,375	8,333	**20**	16

20. DERIVATIVE FINANCIAL ASSET

	Group	
	2019	**2018**
	$'000	**$'000**
Call option, representing total financial asset at fair value through profit or loss	**–**	1,043

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

Please refer to Note 14(a) for more details on the call option granted to Procurri LLC 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20. DERIVATIVE FINANCIAL ASSET (CONTINUED)

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

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	(Decrease)
	$'000	$'000
Recurring fair value measurements		
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.

(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)	
	2019	2018
	$'000	$'000
Call option:		
1 January	**1,043**	1,044
Total loss for the year included in profit or loss	**–**	(14)
Exercised call option	**(1,043)**	–
Exchange differences	**–**	13
31 December	**–**	1,043

There was no change in the fair value of the call option at the date of exercise on 1 April 2019 as the movement between 31 December 2018 to 1 April 2019 was not material.

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20. DERIVATIVE FINANCIAL ASSET (CONTINUED)

(iii) Valuation policies and procedures

For the financial year ended 31 December 2018, 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.

21. CASH AND BANK BALANCES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**17,132**	18,082	**5,847**	9,655
Less: Bank overdrafts (Note 24)	**–**	(469)	**–**	–
	17,132	17,613	**5,847**	9,655
Less: Pledged deposits	**(1,467)**	(1,481)	**(1,347)**	(1,365)
Less: Fixed deposit	**(4,042)**	(5,459)	**(2,695)**	(5,459)
Cash and cash equivalents	**11,623**	10,673	**1,805**	2,831

Pledged deposits represent amounts held by banks as security for bank overdrafts and facilities (Note 24).

Fixed deposit is made for a period of twelve months (2018: twelve months) and earns interest at 1.22% to 3.00% (2018: 1.34% to 3.00%).

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollars	**12,193**	14,267	**5,422**	9,493
Great Britain Pound	**2,796**	555	**–**	–
Euro	**–**	86	**–**	–
Malaysian Ringgit	**1,236**	956	**–**	–
Chinese Renminbi	**223**	296	**–**	–
Indian Rupee	**321**	368	**–**	–

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22. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables				
– Third parties	**16,922**	15,788	**13**	66
– Amount due to subsidiaries	**–**	–	**1,941**	4,258
	16,922	15,788	**1,954**	4,324
Other payables				
– Third parties	**14,538**	775	**539**	307
– Sales tax payable	**2,743**	1,420	**1,104**	707
– Accrued operating expenses	**12,477**	13,986	**1,022**	1,063
– Amount due to holding company	**–**	277	**–**	277
– Amount due to subsidiaries	**–**	–	**1**	–
– Loan to subsidiary	**–**	–	**–**	69
	29,758	16,458	**2,666**	2,423
Total trade and other payables	**46,680**	32,246	**4,620**	6,747
Add: Loans and borrowings (Note 24)	**16,693**	14,087	**4,041**	7,896
Less: Sales tax payable	**(2,743)**	(1,420)	**(1,104)**	(707)
Total financial liabilities carried at amortised cost	**60,630**	44,913	**7,557**	13,936

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.

Included within other payables from third parties is the Post-Closing Payment payable to Congruity LLC of US$9,953,000 in relation to the acquisition of remaining 49% interest in Rockland Congruity LLC.

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
United States Dollars	**34,401**	20,368	**3,222**	4,999
Great Britain Pound	**7,611**	6,573	**–**	–
Euro	**574**	731	**–**	–
Malaysian Ringgit	**1,345**	1,498	**–**	–
Chinese Renminbi	**250**	329	**–**	–
Indian Rupee	**681**	273	**–**	–

23. 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.

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24. LOANS AND BORROWINGS

	Group		Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Current				
Bank loans	**3,961**	4,302	**2,694**	3,802
Bank overdrafts	**–**	469	**–**	–
Finance lease obligations	**–**	540	**–**	–
Trade receivables factoring	**1,045**	727	**–**	–
Line of credit	**6,148**	3,894	**–**	–
Others	**76**	61	**–**	–
	11,230	9,993	**2,694**	3,802
Non-current				
Bank loans	**5,463**	4,094	**1,347**	4,094
	5,463	4,094	**1,347**	4,094
Total loans and borrowings	**16,693**	14,087	**4,041**	7,896

Bank loans

Bank loans are unsecured and covered by a corporate guarantee by certain subsidiaries and repayable in 3 to 60 (2018: 3 to 36) monthly instalments. The amount bears effective interest rates ranging from 3.42% to 6.9% (2018: ranging from 3.46% to 4.63%) per annum.

Bank overdrafts

Bank overdrafts bear effective interest rate of 4.31% to 5.25% per annum in the financial year 2018. There is no bank overdraft as at 31 December 2019.

Finance lease obligations

Group	**Minimum payments $'000**	**Finance charges $'000**	**Present value $'000**
2018			
Minimum lease payments payable:			
Not later than one year	578	(38)	540

The Group leases certain of its plant and equipment under finance lease obligations. In the financial year ended 31 December 2018, the average lease term ranges from three to five years. The interest rate for finance lease obligations is approximately 2.00% to 6.67% 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.

As at 1 January 2019, upon adoption of SFRS(I) 16, commitments relating to leases previously classified as finance lease obligations have been reclassified to lease liabilities (Note 2.2).

NOTES TO THE FINANCIAL STATEMENTS

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24. LOANS AND BORROWINGS (CONTINUED)

Trade receivables factoring

Trade receivables factoring is secured by a charge over trade receivables balances of $1,045,000 (2018: $727,000) with recourse. The interest rate for the trade receivables factoring is 2.60% (2018: 2.35% to 2.60%) per annum.

Line of credit

Line of credit is secured by the US subsidiaries' assets. The interest rate is 3.68% to 5.14% (2018: 3.69% to 4.50%) per annum.

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

	1.1.2019 (Restated) $'000	Cash flows $'000	Adoption of SFRS(I) 16 $'000	Foreign exchange movements $'000	31.12.2019 $'000
Bank loans	8,396	1,085	–	(57)	9,424
Lease liabilities (Note 13)	7,530	(2,174)	5,050	(97)	10,309
Trade receivables factoring	727	303	–	15	1,045
Line of credit	3,894	2,305	–	(51)	6,148
Others	61	18	–	(3)	76
Total loans and borrowings	20,608	1,537	5,050	(193)	27,002

	1.1.2018 $'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
Line of credit	3,764	68	62	3,894
Others	250	(192)	3	61
Total loans and borrowings	21,414	(8,109)	313	13,618

Loans and borrowings denominated in foreign currencies are as follows:

	2019 $'000	2018 $'000	2019 $'000	2018 $'000
United States Dollars	**15,871**	11,311	**4,042**	6,824
Great Britain Pound	**329**	760	**–**	–
Euro	**493**	–	**–**	–

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25. PROVISIONS

Provision for reinstatement costs

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**135**	70	**65**	–
Provision during the year	**90**	65	**–**	65
At 31 December	**225**	135	**65**	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 (2018: three years).

Provision for claims

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	**426**	737	**–**	–
Provision during the year	**117**	43	**–**	–
Adjust against indemnification assets	**–**	(325)	**–**	–
Exchange difference	**(87)**	(29)	**–**	–
At 31 December	**456**	426	**–**	–
Total provisions	**681**	561	**65**	65

Provision for claims relating to dilapidations claim in respect of a leasehold premises approximately amounted to $456,000 (2018: $426,000).

26. SHARE CAPITAL

	Group and Company	
	No. of ordinary shares	Amount $'000
Ordinary shares of no-par value		
At 1 January 2019 and 31 December 2019	284,689,000	71,703
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.

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27. OTHER RESERVES

Group 2019	Foreign currency translation reserve $'000	Merger reserve $'000	Premium on acquisition of non-controlling interest $'000	Share-based payment reserve (Note 28) $'000	Total $'000
Opening balance at 1 January 2019	**(721)**	**(4,420)**	**(15,764)**	**76**	**(20,829)**
Share-based payment	**–**	**–**	**–**	**120**	**120**
Acquisition of non-controlling interests	**–**	**–**	**(26,503)**	**–**	**(26,503)**
Exchange differences	**267**	**–**	**–**	**–**	**267**
Closing balance at 31 December 2019	**(454)**	**(4,420)**	**(42,267)**	**196**	**(46,945)**
Opening balance at 1 January 2018	**(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)**

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.

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28. SHARE-BASED COMPENSATION

	Group and Company	
	2019	2018
	$'000	$'000
Performance share plan	**120**	394

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.

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28. SHARE-BASED COMPENSATION (CONTINUED)

Procurri PSP (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.

Grant date	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at beginning of the year	Number of shares which are the subject of the awards granted under the Procurri PSP granted during the year	Number of shares issued pursuant to the awards during the year	Number of shares 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 $
2018	4,760,900	–	2,632,400	1,715,700	412,800	0.2907
2019	**412,800**	**395,000**	**–**	**138,000**	**669,800**	**0.4850**

The Company has granted 395,000 shares under the Procurri PSP on 3 June 2019. No shares have been vested for the financial year ended 31 December 2019.

Performance share plan reserve

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Balance at beginning of the year	**76**	447
Expense recognised in profit or loss	**120**	394
Issuance of shares pursuant to the Procurri PSP	**–**	(765)
Balance at end of the year	**196**	76

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).

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28. SHARE-BASED COMPENSATION (CONTINUED)

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

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

No awards have been granted under the Procurri ESOS for the financial years ended 31 December 2019 and 2018.

29. 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	
	2019	**2018**
	$'000	**$'000**
Holding company:		
Shared services charges	(a)**–**	(367)
Other income	(a)**–**	–*
Recharge of expenses	(a)**–**	–*
Related companies:		
Sales of goods and services	**–**	–*
Other income	**–**	–
Support service charges	**–**	(50)
Recharge of expenses	**–**	–*
Related parties:		
Sales of goods and services	(b)**2,261**	13,902
Purchase of goods and services	(b)**(2,604)**	(5,498)
Trade and other receivables	(b)**–**	15,765
Trade and other payables	(b)**–**	(2,531)

* Less than $1,000

(a) On 4 January 2019, DeClout Limited sold 48,000,000 ordinary shares of the Company to two independent third parties. On 21 March 2019, Novo Tellus Capital Partners Private Ltd acquired 36,319,978 ordinary shares of the Company from DeClout Limited. Following the event on 4 January 2019 and 21 March 2019, DeClout Limited ceased to be the holding company.

(b) Effective 30 March 2019, Congruity LLC and its affiliates are no longer related parties of the Group upon completion of the acquisition of the remaining 49% interest in Rockland.

For the financial year ended 31 December 2018, related parties refer to Congruity and its affiliates which owns 49% equity interest in Rockland (Note 14). Included in trade and other receivables is an amount of $1,463,000 which bears interest at 2.75% per annum.

NOTES TO THE FINANCIAL STATEMENTS

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29. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Compensation of key management personnel

	Group	
	2019	2018
	$'000	$'000
Salaries and other short-term employee benefits	**4,312**	3,379
Share-based payment	**120**	371
Central Provident Fund contributions	**20**	17
	4,452	3,767
Key management compensation comprises the following:		
Remuneration to directors of the Company	**1,643**	1,086
Remuneration to other key management personnel	**2,503**	2,489
Director fees	**306**	192
	4,452	3,767

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.

30. COMMITMENTS

Operating lease commitments – as lessee

Operating lease payments are for rentals payable for office and computer equipment, office premises and data centre racks. These leases have an average term of one to six years (2018: one to twelve years).

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2019 amounted to $878,000 (2018: $2,544,000).

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

	Group
	2018
	$'000
Not later than one year	2,331
Later than one year and not later than five years	4,645
More than five years	1,238
	8,214

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheets, except for short-term and low-value leases.

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30. COMMITMENTS (CONTINUED)

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.

As at 31 December 2018, the total future minimum lease receivables committed under operating leases are as follows:

	2018 $'000
Not later than one year	1,268
Later than one year and not later than five years	267
	1,535

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. The undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 13.

31. 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.

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.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

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:

- 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.

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.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade and other receivables

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 2019 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

31 December 2019	Current $'000	Past due Less than 90 days $'000	Past due More than 90 days $'000	Total $'000
Gross carrying amount	**3,003**	**2,455**	**894**	**6,352**
Loss allowance provision	**–**	**–**	**(106)**	**(106)**

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

(ii) Other geographical area

31 December 2019	Current $'000	Past due Less than 90 days $'000	Past due More than 90 days $'000	Total $'000
Gross carrying amount	**26,156**	**14,381**	**6,891**	**47,428**
Loss allowance provision	**–**	**–**	**(2,460)**	**(2,460)**

31 December 2018	Current $'000	Past due Less than 90 days $'000	Past due More than 90 days $'000	Total $'000
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 18.

During the year, the Group wrote-off $340,000 (2018: $1,132,000) 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.

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31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Credit risk concentration profile

At the end of the reporting period, approximately 28% (2018: 31%) of the Group's trade receivables were due from 3 major customers.

(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	5 years or more $'000	Total $'000
31.12.2019				
Financial assets:				
Trade and other receivables	51,214	–	–	51,214
Finance lease receivables	539	891	–	1,430
Cash and bank balances	17,132	–	–	17,132
Total undiscounted financial assets	68,885	891	–	69,776
Financial liabilities:				
Trade and other payables	46,680	–	–	46,680
Loans and borrowings	11,697	5,963	–	17,660
Lease liabilities	3,090	7,917	1,145	12,152
Total undiscounted financial liabilities	61,467	13,880	1,145	76,492
Total net undiscounted financial assets/(liabilities)	7,418	(12,989)	(1,145)	(6,716)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Group	One year or less $'000	1 to 5 years $'000	5 years or more $'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

Company	One year or less $'000	1 to 5 years $'000	Total $'000
31.12.2019			
Financial assets:			
Trade and other receivables	**17,247**	**–**	**17,247**
Cash and bank balances	**5,847**	**–**	**5,847**
Total undiscounted financial assets	**23,094**	**–**	**23,094**
Financial liabilities:			
Trade and other payables	**4,620**	**–**	**4,620**
Loans and borrowings	**2,820**	**1,361**	**4,181**
Lease liabilities	**226**	**320**	**546**
Total undiscounted financial liabilities	**7,666**	**1,681**	**9,347**
Total net undiscounted financial assets/(liabilities)	**15,428**	**(1,681)**	**13,747**
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(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.

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

Group	Less than 1 year $'000	1 to 5 years $'000	5 years or more $'000	Total $'000
31.12.2019				
Fixed rate				
Lease liabilities	**2,483**	**6,793**	**1,033**	**10,309**
Floating rate				
Bank loans	**3,961**	**5,463**	**–**	**9,424**
Trust receipts	**6,148**	**–**	**–**	**6,148**
Trade receivables factoring	**1,045**	**–**	**–**	**1,045**
Others	**76**	**–**	**–**	**76**
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. 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**
31.12.2019			
Fixed rate			
Lease liabilities	**214**	**313**	**527**
Floating rate			
Bank loan	**2,694**	**1,347**	**4,041**
31.12.2018			
Floating rate			
Bank loan	3,802	4,094	7,896

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2018: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $167,000 (2018: $131,000) 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.

(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	
			2019 $'000	**2018 $'000**
USD/SGD	–	if strengthen by 10% (2018: 10%)	**48**	(8)
	–	if weaken by 10% (2018: 10%)	**(48)**	8
GBP/USD	–	if strengthen by 10% (2018: 10%)	**(9)**	40
	–	if weaken by 10% (2018: 10%)	**9**	(40)
GBP/EUR	–	if strengthen by 10% (2018: 10%)	**(76)**	114
	–	if weaken by 10% (2018: 10%)	**76**	(114)
SGD/USD	–	if strengthen by 10% (2018: 10%)	**56**	192
	–	if weaken by 10% (2018: 10%)	**(56)**	(192)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			
	Quoted prices in active markets for identical instruments (Level 1) $'000	**Significant other observable inputs (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
2018				
Financial assets				
Derivatives – Call option	–	–	1,043	1,043

The call option exercised on 1 April 2019. There is no derivative financial asset as at 31 December 2019.

(c) Level 3 fair value measurements

Derivatives

The fair value measurements of the call option is disclosed in Note 20. A significant increase/(decrease) in discount for lack of marketability would result in a significantly lower/(higher) fair value measurement.

(d) Assets and liabilities not measured at fair value, for which fair value is disclosed

There are no assets and liabilities not measured at fair value at 31 December 2019 and 2018 but for which fair value is disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Cash and bank balances (Note 21), trade and other receivables (Note 18), trade and other payables (Note 22), loans and borrowings (Note 24), and lease liabilities (Note 13).

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values as they are short-term in nature, market interest rate instruments.

(f) Fair value of financial instrument classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

There are no financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value.

33. 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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	**149,764**	154,802	**71,525**	65,434	**221,289**	220,236
Cost of sales	**(110,341)**	(112,030)	**(30,845)**	(27,703)	**(141,186)**	(139,733)
Gross profit	**39,423**	42,772	**40,680**	37,731	**80,103**	80,503

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	Revenue	
	2019	**2018**
	$'000	**$'000**
Singapore	**23,036**	31,574
Europe, the Middle East and Africa	**71,009**	63,129
Americas	**123,276**	120,992
Others	**3,968**	4,541
	221,289	220,236

	Non-current assets	
	2019	**2018**
	$'000	**$'000**
Singapore	**12,431**	20,995
Europe, the Middle East and Africa	**14,371**	10,239
Americas	**6,720**	934
Others	**2,678**	2,739
	36,200	34,907

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

Information about a major customer

Revenue from one major customer amounted to $9,231,000 (2018: $12,914,000) arising from sales in the Hardware and Lifecycle Service business (2018: Lifecycle Service business).

34. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34. CAPITAL MANAGEMENT (CONTINUED)

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	
	2019	**2018**
	$'000	**$'000**
Loans and borrowings (Note 24)	**16,693**	14,087
Lease liabilities (Note 13)	**72**	–
Less: cash and bank balances (Note 21)	**(17,132)**	(18,082)
Net Cash	**(367)**	(3,995)
Total equity	**46,700**	69,041
Debt-to-capital ratio	**N.M.**	N.M.

N.M. – Not meaningful

35. 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 in early 2014 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 parties involved in the case have been in mediation negotiations since late March 2019 to-date. The lawsuit against Procurri LLC's customer is for US$1,300,000. Subsequent to year-end, parties appear close to a settlement with a potential indicative (but tentative) estimated contribution from Procurri LLC of approximately US$220,000 which may be subject to change as negotiations continue to develop. Notwithstanding the foregoing, as at the date of the financial statement, the Group is unable to establish with certainty the amount or range of potential loss, if any, arising from the above.

36. EVENTS AFTER THE END OF THE REPORTING YEAR

(i) In relation to the Group's acquisition of remaining 49% equity interest in Rockland Congruity LLC, the Group has paid the Post-Closing Payment of US$10,000,000 to Congruity LLC. The US$10,000,000 pay-out was net-off against the total outstanding receivables from Congruity 360 of US$7,500,000. The remaining balance of US$2,000,000 was satisfied with issuance of 7,865,973 consideration shares (at $0.3462 per share) on 14 February 2020 and US$500,000 in cash.

(ii) On 23 February 2020, the Company has incorporated a new wholly-owned subsidiary, Procurri Canada Limited with an authorized issued and paid-up share capital of CAD100.

(iii) After the Group's US subsidiary, Procurri LLC, made the Post-Closing Date Payment ("PCP") to Congruity on 14 February 2020, Congruity made a demand for indemnification under the terms of the Interest Purchase Agreement, alleging discrepancies of US$474,316.68 in the set-offs applied by Procurri LLC against the PCP. Procurri LLC has rejected the alleged discrepancies and is working with the Sellers to resolve the matter.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. EVENTS AFTER THE END OF THE REPORTING YEAR (CONTINUED)

(iv) The Coronavirus outbreak subsequent to the reporting period is expected to impact the business of the Group. As the situation relating to the spread remains uncertain, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group in 2020.

37. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Directors on 31 March 2020.

STATISTICS OF SHAREHOLDINGS

As at 24 March 2020

SHARE CAPITAL INFORMATION

Number of shares	:	293,224,773
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	117	14.34	103,700	0.04
1,001 - 10,000	282	34.56	1,829,300	0.62
10,001 - 1,000,000	395	48.41	27,904,050	9.52
1,000,001 AND ABOVE	22	2.69	263,387,723	89.82
Total	**816**	**100.00**	**293,224,773**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of shares held	%
1	A.C.T. HOLDINGS PTE LTD	48,000,000	16.37
2	OCBC SECURITIES PRIVATE LTD	43,152,900	14.72
3	DECLOUT LIMITED	40,000,000	13.64
4	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	36,596,578	12.48
5	DBS NOMINEES PTE LTD	25,371,300	8.65
6	RAFFLES NOMINEES (PTE) LIMITED	14,636,522	4.99
7	SOH CHOOI LAI	10,019,000	3.42
8	HONG LEONG FINANCE NOMINEES PTE LTD	6,949,000	2.37
9	TAN WEI MENG	6,305,550	2.15
10	SING INVESTMENTS & FINANCE NOMINEES PTE LTD	4,900,000	1.67
11	BRIAN WILLIAM DAVIDSON	3,932,987	1.34
12	SEAN MICHAEL BRADY SR	3,932,986	1.34
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,526,000	1.20
14	OAN CHIM SENG	2,564,000	0.87
15	PHANG CHEE CAN	2,300,000	0.78
16	CITIBANK NOMINEES SINGAPORE PTE LTD	2,120,200	0.72
17	RHB SECURITIES SINGAPORE PTE LTD	1,910,000	0.65
18	HSBC (SINGAPORE) NOMINEES PTE LTD	1,820,900	0.62
19	LIEW CHEE KONG	1,785,100	0.61
20	CYL INVESTMENTS LIMITED	1,482,100	0.51
	Total	**261,305,123**	**89.10**

STATISTICS OF SHAREHOLDINGS

As at 24 March 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of substantial shareholders	**No. of shares**	**%**	**No. of shares**	**%**
A.C.T. HOLDINGS PTE LTD[2]	48,000,000	16.37	36,319,978	12.39
DECLOUT LIMITED	40,000,000	13.64	–	–
NTCP SPV VII	36,319,978	12.39	–	–
NOVO TELLUS PE FUND 2, L.P.[1]	–	–	36,319,978	12.39
TOH BAN LENG JAMES[3][4]	–	–	84,319,978	28.76
LOKE WAI SAN[10]	–	–	36,319,978	12.39
KEITH HSIANG-WEN TOH[5]	–	–	36,319,978	12.39
KHOO LAY KEE[6]	–	–	84,319,978	28.76
SERENE TOH SOO LING[7]	–	–	84,319,978	28.76
TOH SOO CHIN MERLENE[8]	–	–	84,319,978	28.76
NEW EARTH GROUP 2 LTD[9]	–	–	36,319,978	12.39

Notes:

(1) Novo Tellus PE Fund 2, L.P. ("**NT Fund 2**") is deemed to be interested in the shares of Procurri Corporation Limited ("Procurri") by virtue of its 100% ownership in NTCP SPV VII.

(2) 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.

(3) NTCP SPV VII holds a direct interest in the shares in Procurri. NT Fund 2 is deemed interested in the shares in Procurri by virtue of its 100% ownership in NTCP SPV VII. Toh Ban Leng James is deemed to be interested in the shares of Procurri by virtue of his not less than 20% ownership in NT Fund 2.

(4) ACT has both direct and deemed interests in the shares of Procurri. Toh Ban Leng James is deemed to be interested in the shares of Procurri by virtue of his not less than 20% ownership in ACT.

(5) NTCP SPV VII holds a direct interest in the shares in Procurri. NT Fund 2 is deemed interested in the shares in Procurri by virtue of its 100% ownership in NTCP SPV VII. 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. 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) ACT has both direct and deemed interests in the shares in Procurri. Khoo Lay Kee is deemed to be interested in the shares in Procurri by virtue of her not less than 20% ownership in ACT.

(7) ACT has both direct and deemed interests in the shares in Procurri. Dr Serene Toh Soo Ling is deemed to be interested in the shares in Procurri by virtue of her not less than 20% ownership in ACT.

(8) ACT has both direct and deemed interests in the shares in Procurri. Toh Soo Chin Merlene Mdm is deemed to be interested in the shares in Procurri by virtue of her not less than 20% ownership in ACT.

(9) NTCP SPV VII holds a direct interest in the shares in Procurri. NT Fund 2 is deemed interested in the shares in Procurri by virtue of its 100% ownership in NTCP SPV VII. 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.

(10) 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.

PUBLIC FLOAT

Based on the information available to the Company as at 24 March 2020, approximately 45.63% 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 ***(to be confirmed)*** on ***(to be confirmed)*** 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 2019 and the Directors' Statement and the Auditors' Report thereon.
(Resolution 1)

2. To re-elect the following Directors retiring pursuant to the following Company's Constitution:

   (a) Mr. Thomas Sean Murphy (Regulation 117) **(Resolution 2a)**

   (b) Mr. Edward John Flachbarth (Regulation 117) **(Resolution 2b)**

   (c) Dr. Lim Puay Koon (Regulation 122) **(Resolution 2c)**

   Mr. Thomas Sean Murphy will, upon re-election as a Director of the Company, remain as the Executive Director, the Chairman of the Board and Global Chief Executive Officer of the Company.

   Mr. Edward John Flachbarth will, upon re-election as a Director of the Company, remain as the Executive Director and Global President of the Company.

   Dr. Lim Puay Koon will, upon re-election as a Director of the Company, remain as an Independent Director and member of the Audit, Nominating and Remuneration 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**").

   [See Explanatory Note (a)]

3. To approve the payment of Directors' fees of up to S$245,450 for the financial year ending 31 December 2020 (2019: S$383,000).
(Resolution 3)

   [See Explanatory Note (b)]

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

5. 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:

6. 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

NOTICE OF ANNUAL GENERAL MEETING

(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 (c)] **(Resolution 5)**

7. 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

NOTICE OF ANNUAL GENERAL MEETING

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 (d)] **(Resolution 6)**

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

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

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

BY ORDER OF THE BOARD

Lin Moi Heyang
Company Secretary

(to be confirmed)

Singapore

EXPLANATORY NOTES:

(a) The key information of Mr. Thomas Sean Murphy, Mr. Edward John Flachbarth and Dr. Lim Puay Koon can be found in the "Board of Directors" and the "Board Membership" sections of the Governance Report of the Annual Report. All of them, if re-appointed as Director of the Company (pursuant to ordinary resolutions 2a, 2b and 2c respectively), will remain as Directors of the Company.

(b) The ordinary resolution 3 is to request Shareholders' approval for the directors' fees which includes S$27,500 (in share base) for the financial year ending 31 December 2020. In the event the Directors' fees proposed for the financial year ending 31 December 2020 are insufficient (e.g. due to enlarged Board size), approval will be sought at next year's AGM for additional fees to meet the shortfall. If the ordinary resolution 6 is not passed, the directors' fees in share base of S$27,500 would be paid in the form of cash.

(c) The ordinary resolution 5 above, if passed, will empower the Directors from the date of the AGM until the date of the next AGM, or the date by which the AGM is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding in

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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.

(d) The ordinary resolution 6 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.

(e) The ordinary resolution 7 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)

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 ***(to be confirmed)***.

PROXY FORM

*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 ***(to be confirmed)*** on ***(to be confirmed)*** and at any adjournment thereof. *I/We direct *my/our proxy(ies) to vote for or against or abstain 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**	ABSTAIN**
	Ordinary Business			
1.	Audited Financial Statements of the Company for the financial year ended 31 December 2019 and the Directors' Statement and the Auditors' Report thereon			
2a.	Re-election of Mr. Thomas Sean Murphy as a Director of the Company			
2b.	Re-election of Mr. Edward John Flachbarth as a Director of the Company			
2c.	Re-election of Dr. Lim Puay Koon as a Director of the Company			
3.	Payment of Directors' fees of up to S$245,450 for the financial year ending 31 December 2020			
4.	Re-appointment of Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration			
	Special Business			
5.	Authority to allot and issue shares			
6.	Authority to grant share awards, allot and issue shares under the PSP			
7.	Authority to grant share options, allot and issue shares under the ESOS			

Notes:

* Please delete accordingly

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

Dated this ________ day of _________________ 2020

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

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

IMPORTANT: Please read notes overleaf

Notes:

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

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.

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CORPORATE INFORMATION

COMPANY INFORMATION
Procurri Corporation Limited
Incorporated in the Republic of Singapore on 15 March 2013
Company Registration No.: 201306969W

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

BOARD OF DIRECTORS
Thomas Sean Murphy
Chairman and
Global Chief Executive Officer

Edward John Flachbarth
Executive Director and Global President

Ng Loh Ken Peter
Lead Independent Director

Wong Quee Quee, Jeffrey
Independent Director

Dr Lim Puay Koon
Independent Director

Loke Wai San
Non-Independent,
Non-executive Director

AUDIT COMMITTEE
Ng Loh Ken Peter (Chairman)
Wong Quee Quee, Jeffrey
Dr Lim Puay Koon
Loke Wai San

REMUNERATION COMMITTEE
Wong Quee Quee, Jeffrey (Chairman)
Ng Loh Ken Peter
Dr Lim Puay Koon
Loke Wai San

NOMINATING COMMITTEE
Wong Quee Quee, Jeffrey (Chairman)
Ng Loh Ken Peter
Dr Lim Puay Koon
Loke Wai San

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)

STOCK INFORMATION
Listed on the SGX-ST Mainboard on 20 July 2016
Stock Codes
Bloomberg: PROC SP EQUITY
Reuters: PROC.SI
SGX: BVQ

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

PROCURRI

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

29 Tai Seng Avenue, #02-01 Natural Cool Lifestyle Hub,
Singapore 534119
www.procurri.com

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