

CIRCULAR DATED 15 JUNE 2022

THIS CIRCULAR IS ISSUED BY THE COMPANY (AS DEFINED HEREIN). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF THE IFA (AS DEFINED HEREIN) (AS THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS). THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your Shares (as defined herein) held through CDP (as defined herein), you do not need to forward this Circular to the purchaser or the transferee, as arrangements will be made by CDP for a separate Circular to be electronically disseminated to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has not been examined or approved by the SGX-ST (as defined herein). The SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.



P R O C U R R I

PROCURRI CORPORATION LIMITED

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

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY UNCONDITIONAL CASH OFFER

by

UNITED OVERSEAS BANK LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 193500026Z)

for and on behalf of

DECLOUT PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No.: 201017764W)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by the Offeror

Independent Financial Adviser to the Independent Directors of the Company



Evolve Capital Advisory
晋化资本

EVOLVE CAPITAL ADVISORY PRIVATE LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 201718400R)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT STATES THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 1 JULY 2022, AND THAT THE OFFER WILL NOT BE EXTENDED NOR OPEN FOR ACCEPTANCES BEYOND 5.30 P.M. (SINGAPORE TIME) ON 1 JULY 2022.

SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY 5.30 P.M. (SINGAPORE TIME) ON 1 JULY 2022.

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

“Acceptance Forms”	:	The FAA and the FAT collectively or any one of them, as the case may be
“Amended Complaint”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“Annual Report”	:	The annual report of the Company
“C360”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 15 June 2022 from the Company containing the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in relation to the Offer
“Closing Date”	:	5.30 p.m. (Singapore time) on 1 July 2022
“Code”	:	The Singapore Code on Take-overs and Mergers
“Companies Act”	:	Companies Act 1967 of Singapore
“Company”	:	Procurri Corporation Limited
“Company Convertible Securities”	:	Convertible securities, warrants, options and derivatives in respect of the Company Securities
“Company Securities”	:	Means (a) Shares; (b) securities which carry voting rights in the Company; or (c) Convertible Securities, Warrants, Options or Derivatives in respect of (a) or (b)
“Complaint”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“Congruity”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“Convertible Securities”	:	Securities convertible or exchangeable into new Shares or existing Shares
“Constitution”	:	The constitution of the Company as at the Latest Practicable Date
“CPF”	:	Central Provident Fund

“CPF Agent Banks”	:	Agent banks included under the CPFIS
“CPFIS”	:	Central Provident Fund Investment Scheme
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
“Defendants”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“Derivatives”	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
“Directors”	:	The directors of the Company as at the Latest Practicable Date
“Distributions”	:	Shall have the meaning ascribed to it in paragraph 2.3 of this Circular
“Encumbrances”	:	Shall have the meaning ascribed to it in paragraph 2.3 of this Circular
“EXEO Group”	:	EXEO Group, Inc.
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are deposited with CDP
“FAT”	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Shares are not deposited with CDP
“FY”	:	Financial year ended or ending 31 December
“Group”	:	The Company and its subsidiaries
“IFA”	:	Evolve Capital Advisory Private Limited, the independent financial adviser to the Independent Directors
“IFA Letter”	:	Shall have the meaning ascribed to it in paragraph 9.1 of this Circular
“Independent Directors”	:	The directors of the Company who are considered independent for the purpose of making a recommendation to Shareholders for the purposes of the Offer, namely Mr Thomas Sean Murphy, Mr Loke Wai San (Mr Toh Hsiang-Wen Keith is an alternative director to Mr Loke Wai San), Mr Ng Loh Ken Peter, Dr Lim Puay Koon and Mr Wong Quee Quee, Jeffrey

“Latest Practicable Date”	:	7 June 2022, being the latest practicable date prior to the publication of this Circular
“Listing Manual”	:	The listing manual of the Main Board of the SGX-ST in force as at the Latest Practicable Date
“LTI”	:	Shall have the meaning ascribed to it in paragraph 6.1 of Appendix B of this Circular
“Offer”	:	The mandatory unconditional cash offer by UOB, for and on behalf of the Offeror, to acquire all the Offer Shares, on the terms and subject to the conditions set out in the Offer Document and the Acceptance Forms
“Offer Announcement”	:	The announcement in connection with the Offer released by UOB, for and on behalf of the Offeror, on the Offer Announcement Date
“Offer Announcement Date”	:	20 May 2022
“Offer Document”	:	The document dated 3 June 2022, including the Acceptance Forms, issued by UOB, for and on behalf of the Offeror, in respect of the Offer
“Offer Document Despatch Date”	:	3 June 2022, being the date of despatch of the notification of electronic dissemination of the Offer Document and its related documents dated 3 June 2022 and the Acceptance Forms, and the electronic dissemination of the Offer Document and any related documents
“Offer Price”	:	Shall have the meaning ascribed to it in paragraph 2.2 of this Circular
“Offer Shares”	:	Shall have the meaning ascribed to it in paragraph 2.1 of this Circular
“Offeror”	:	DeClout Pte. Ltd.
“Offeror Concert Parties”	:	The Offeror and its concert parties
“Offeror Convertible Securities”	:	Convertible securities, warrants, options and derivatives in respect of the Offeror Shares or the Offeror Securities
“Offeror Securities”	:	Securities in the Offeror which carry substantially the same rights as any to be issued as consideration for the Offer
“Offeror Shares”	:	Equity share capital in the Offeror
“Options”	:	Options to subscribe for or purchase new Shares or existing Shares

“Overseas Shareholder”	:	A Shareholder whose address is outside Singapore as shown in the Register or in the Depository Register (as the case may be)
“Park Place”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“Plaintiffs”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“PLLC”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“Procurri ESOS”	:	The Procurri Corporation Employee Share Option Scheme
“Procurri PSP”	:	The Procurri Corporation Performance Share Plan
“Procurri PSP Awards”	:	Shall have the meaning ascribed to it in paragraph 2.1.3 of this Circular
“RCA”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“Register”	:	The register of holders of the Shares, as maintained by the Share Registrar
“Relevant Director”	:	Shall have the meaning ascribed to it in paragraph 10.1 of this Circular
“Rockland Congruity”	:	Shall have the meaning ascribed to it in paragraph 11.1 of Appendix B of this Circular
“S\$” and “Singapore cents”	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
“Securities and Futures Act”	:	Securities and Futures Act 2001 of Singapore
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), in its capacity as the share registrar of the Company
“Shareholders”	:	Persons who are registered as holders of the Shares in the Register and depositors who have Shares entered against their names in the Depository Register
“Shares”	:	Issued and paid-up ordinary shares in the capital of the Company
“SIC”	:	Securities Industry Council of Singapore

“SRS”	:	Supplementary Retirement Scheme
“SRS Agent Banks”	:	Agent banks included under the SRS
“SRS Investors”	:	Investors who purchase Shares using their SRS contributions pursuant to the SRS
“STI”	:	Shall have the meaning ascribed to it in paragraph 6.1 of Appendix B of this Circular
“Undertaking Shareholders”	:	Shall have the meaning ascribed to it in Section 5.1 of the Letter to Shareholders in the Offer Document and as described in paragraph 4 of this Circular
“UOB”	:	United Overseas Bank Limited, in its capacity as the financial adviser to the Offeror in connection with the Offer
“US\$”	:	United States dollars, being the lawful currency of the United States of America
“Warrants”	:	Rights to subscribe for or purchase new Shares or existing Shares
“%” or “per cent.”	:	Per centum or percentage

Unless otherwise defined, the term **“acting in concert”** and **“associated companies”** shall have the meaning ascribed to it in the Code.

The terms **“depositor”**, **“depository agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

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

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Code, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the Code, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date respectively unless otherwise stated.

Cautionary Note on Forward-Looking Statements

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders of the Company should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

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

Directors of the Company

Registered Address

Mr Thomas Sean Murphy, Executive Chairman and Global Chief
Executive Officer

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

Mr Ng Loh Ken Peter, Lead Independent Director

Dr Lim Puay Koon, Independent Director

Mr Wong Quee Quee, Jeffrey, Independent Director

Mr Loke Wai San, Non-Independent, Non-Executive Director
(Mr Toh Hsiang-Wen Keith is an alternative director to
Mr Loke Wai San)

Mr Lim Swee Yong, Non-Independent, Non-Executive Director

15 June 2022

To: The Shareholders

Dear Sir/Madam

**MANDATORY UNCONDITIONAL CASH OFFER FOR ALL THE ISSUED AND PAID-UP
ORDINARY SHARES IN THE CAPITAL OF PROCURRI CORPORATION LIMITED**

1. INTRODUCTION

1.1 Offer Announcement. On 20 May 2022, UOB announced, for and on behalf of the Offeror, that in accordance with Rule 14 of the Code, the Offeror intends to make the Offer for all the Shares, other than those already owned, controlled or agreed to be acquired by the Offeror. The Offer arises as a result of the Offeror's acquisition of 3,900,000 Shares, representing approximately 1.32 per cent. of the total number of Shares by way of married trades, at a price of S\$0.425 per Share on 20 May 2022 which resulted in the Offeror owning an aggregate of 90,920,746 Shares, representing approximately 30.76 per cent. of the total number of Shares.

A copy of the Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

Pursuant to the dealings disclosure and offer unconditional announcement dated 26 May 2022, UOB announced, for and on behalf of the Offeror, that the Offer has become unconditional in all respects.

1.2 Offer Document. On 3 June 2022, the Offer Document was electronically disseminated to Shareholders by UOB, for and on behalf of the Offeror, setting out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out in Section 2 and Appendix V of the Offer Document. Shareholders are advised to read the terms and conditions contained therein carefully.

1.3 Independent Financial Adviser. The Company has appointed Evolve Capital Advisory Private Limited as the independent financial adviser to advise the Independent Directors for the purposes of the Offer.

1.4 Circular. The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors with regard to the Offer.

2. THE OFFER

2.1 Offer Shares. Based on the Offer Document, UOB, for and on behalf of the Offeror, has made the Offer to acquire all the Offer Shares in accordance with Rule 14 of the Code and on the terms and subject to the conditions set out in the Offer Document and the Acceptance Forms for:

2.1.1 all the Shares, other than treasury shares and those Shares already owned, controlled or agreed to be acquired by the Offeror;

2.1.2 all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options granted under the Procurri ESOS prior to the close of the Offer; and

2.1.3 all new Shares unconditionally issued or delivered or to be issued or delivered pursuant to the vesting and release of any outstanding awards granted under the Procurri PSP ("**Procurri PSP Awards**") prior to the close of the Offer,

(collectively, the "**Offer Shares**" and each, an "**Offer Share**").

2.2 Offer Price. As set out in the Offer Document, the Offer Price is as follows:

For each Offer Share: S\$0.425 in cash (the "Offer Price").

The Offer Price is final and the Offeror will not further increase the Offer Price.

2.3 No Encumbrances. Based on the Offer Document, the Offer Shares are to be acquired (a) fully paid-up, (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever ("**Encumbrances**"), and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (the "**Distributions**") which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

2.4 Adjustments for Distributions. If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by an amount equivalent to such Distribution.

2.5 Satisfaction of Condition. As set out in the Offer Document, as at the Offer Announcement Date, the Offer was conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 50 per cent. of the voting rights attributable to the issued share capital of the Company (excluding treasury shares) as at the close of the Offer.

On 26 May 2022, UOB announced for and on behalf of the Offeror that the Offeror had acquired such number of Shares on 26 May 2022 (a) by way of married trades and (b) by way of open market trades on the SGX-ST which, when taken together with the Shares owned by the Offeror and parties acting in concert with it, had resulted in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50 per cent. of the voting rights attributable to the maximum potential issued share capital of the Company. For this purpose, the “**maximum potential issued share capital of the Company**” means the total number of Shares (excluding treasury shares) which would be in issue had all outstanding Procurri PSP Awards been validly vested as at the date of such declaration.

Accordingly, the Offer is now unconditional as to acceptances and has been declared unconditional in all respects.

2.6 No Awards Offer. At the Latest Practicable Date:

2.6.1 the Company has outstanding awards in respect of 1,614,200 Shares granted under the Procurri PSP. Pursuant to 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 per cent. of the Company’s total number of issued Shares (excluding treasury shares) from time to time; and

2.6.2 the Company has no outstanding awards in respect of the Procurri ESOS. Pursuant to 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 per cent. of the Company’s total number of issued Shares (excluding treasury shares) from time to time.

As set out in the Offer Document and for the avoidance of doubt, the Offer will be extended to all new Shares unconditionally issued or to be issued pursuant to the valid vesting and release of any outstanding awards under the Procurri PSP or the Procurri ESOS prior to the Closing Date.

2.7 Closing Date. As set out in the Offer Document, the Offer is open for acceptance by Shareholders for the period commencing on the Offer Document Despatch Date and ending on the Closing Date, being the day falling at least 28 days after the Offer Document Despatch Date. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 1 July 2022. The Offer Document states that the Offer will not be extended, nor will it be open for acceptance beyond 5.30 p.m. (Singapore time) on 1 July 2022.**

2.8 Further Details of the Offer. Further details of the Offer are set out in Appendix V to the Offer Document including details on (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement of the level of acceptances of the Offer; and (d) the right of withdrawal of acceptances of the Offer.

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

3. INFORMATION ON THE OFFEROR

The Offer Document sets out information on the Offeror, which has been extracted therefrom and is reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“3.1 Information on the Offeror

The Offeror is a company incorporated in Singapore, and the principal activities of the Offeror are that of investment holding, strategic management and corporate shared services. The Offeror is a wholly-owned subsidiary of Exeo Global Pte. Ltd., which in turn is a wholly-owned subsidiary of EXEO Group.

APPENDIX I to this Offer Document sets out certain additional information on the Offeror.

3.2 Information on EXEO Group

EXEO Group is a Japanese conglomerate in the business of construction and supply of telecommunications infrastructure, electrical, civil and environmental engineering services, systems solutions and integration services. EXEO Group is listed on the Tokyo Stock Exchange.

APPENDIX II to this Offer Document sets out certain additional information on EXEO Group.”

4. IRREVOCABLE UNDERTAKINGS

The description of the undertakings provided by each of the Undertaking Shareholders has been extracted from the Offer Document and is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“5.1 Details of Irrevocable Undertakings

*Certain Shareholders (the “**Undertaking Shareholders**”) have provided irrevocable undertakings in favour of the Offeror (each, an “**Irrevocable Undertaking**”, and collectively, the “**Irrevocable Undertakings**”) to accept the Offer in respect of all the Shares held by them.*

5.2 Aggregate Holdings

As at the Latest Practicable Date, the Undertaking Shareholders hold in aggregate 6,881,800 Shares, representing approximately 2.33% of the total number of Shares.

Details of the Undertaking Shareholders' shareholding in the Company which will be tendered in acceptance of the Offer by each Undertaking Shareholder pursuant to their respective Irrevocable Undertaking are as follows:

Undertaking Shareholder	Number of Shares to be tendered in acceptance of the Offer	Percentage of the total number of Shares (%)
Tan Wei Meng	3,781,750	1.28
Phang Chee Can	2,300,000	0.78
Tan Joon Ngee, Jacky	700,050	0.24
Zachary George Sexton ⁽¹⁾	100,000 ⁽²⁾	0.03
Total	6,881,800⁽³⁾	2.33

Notes:

- (1) Further and with reference to the Offer Announcement and the announcement dated 26 May 2022, the name of Zachary George Sexton should be spelt 'Zachary George Sexton' instead of 'Zackary George Sexton'.
- (2) Zachary George Sexton also holds 84,600 Procurri PSP Awards.
- (3) As disclosed in the Offer Announcement, the Offeror had originally received Irrevocable Undertakings in respect of an aggregate of 48,985,949 Shares from certain Undertaking Shareholders as at the Offer Announcement Date. Following the announcements by UOB on behalf of the Offeror on 25 May 2022 and 26 May 2022, the Offeror had acquired, by way of married trades, in aggregate 42,104,509 Shares from certain Undertaking Shareholders that had originally provided Irrevocable Undertakings amounting to 42,104,149 Shares as at the Offer Announcement Date. As a result, such Undertaking Shareholders will no longer be under an obligation to accept the Offer in respect of these Shares.

5.3 Termination of Irrevocable Undertakings

The Irrevocable Undertakings shall terminate, lapse and cease to have any effect upon the Offer lapsing or being withdrawn for whatever reason other than as a result of a breach of any of the Undertaking Shareholders' obligations under the Irrevocable Undertakings.

5.4 No Other Irrevocable Undertakings

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any persons acting in concert with the Offeror has received any irrevocable undertaking from any other person to accept or reject the Offer."

5. RATIONALE FOR THE OFFER AND THE OFFEROR'S FUTURE PLANS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror's intentions relating to the Company has been extracted from the Offer Document and is set out in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. Shareholders are advised to read the extract below carefully.

“6.1 Rationale for the Offer

As set out in paragraph 1.1 above, the Offeror is making the Offer in compliance with the requirements of Rule 14 of the Code.

6.2 Offeror’s Intentions for the Company

The Offeror intends for the Company to continue to develop and to grow the existing businesses of the Group. The Offeror also intends to conduct a review of and to rationalise the operations of the Group as well as the Company’s business plans and strategic options. The Offeror retains and reserves the right and flexibility at any time and from time to time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Offeror and/or the Company.

Save as disclosed above, the Offeror does not currently have any intention to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group, other than in the ordinary course of business.”

6. LISTING STATUS AND COMPULSORY ACQUISITION

The Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and its rights of compulsory acquisition in respect of the Company. The relevant paragraphs have been extracted from the Offer Document and are reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“8. LISTING STATUS AND COMPULSORY ACQUISITION

8.1 Listing Status

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and persons acting in concert with it to above 90% of the total number of issued Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact, and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

8.2 Compulsory Acquisition

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding treasury shares), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of Shares, the Shareholders who have not accepted the Offer will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

8.3 Offeror's Intentions

It is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following the Offer and the Offeror does not currently intend to exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. However, in the event that the Company does not meet the minimum public float required under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) under Section 215(1) of the Companies Act, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time."

7. FINANCIAL EVALUATION OF THE OFFER

The Offer Document sets out the financial aspects of the Offer. The relevant paragraphs have been extracted from the Offer Document and are reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"7. FINANCIAL EVALUATION OF THE OFFER

The Offer Price represents the following premia over the historical traded prices of the Shares:

	Description	Benchmark Price (S\$)⁽¹⁾⁽²⁾⁽³⁾	Premium over Benchmark Price (%)⁽⁴⁾
(a)	<i>Last transacted price per Share on the Last Trading Day</i>	0.425	0.0
(b)	<i>VWAP of the Shares traded on the SGX-ST for the one (1)-month period prior to and including the Last Trading Day</i>	0.412	3.2

	Description	Benchmark Price (S\$)⁽¹⁾⁽²⁾⁽³⁾	Premium over Benchmark Price (%)⁽⁴⁾
(c)	<i>VWAP of the Shares traded on the SGX-ST for the three (3)-month period prior to and including the Last Trading Day</i>	0.389	9.3
(d)	<i>VWAP of the Shares traded on the SGX-ST for the six (6)-month period prior to and including the Last Trading Day</i>	0.362	17.4
(e)	<i>VWAP of the Shares traded on the SGX-ST for the twelve (12)-month period prior to and including the Last Trading Day</i>	0.353	20.4

Notes:

(1) Source: Bloomberg Finance L.P..

(2) The VWAP is calculated based on the daily VWAP turnover divided by VWAP volume of the Shares for the relevant period as extracted from Bloomberg Finance L.P..

(3) Rounded to the nearest three (3) decimal places.

(4) Percentages rounded to the nearest one (1) decimal place.”

8. CONFIRMATION OF FINANCIAL RESOURCES

The Offer Document sets out the full text of the confirmation of financial resources by UOB, which has been extracted therefrom and is reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“10. CONFIRMATION OF FINANCIAL RESOURCES

UOB, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares on the basis of the Offer Price.”

9. ADVICE OF THE IFA

9.1 IFA. Evolve Capital Advisory Private Limited has been appointed as the independent financial adviser to advise the Independent Directors for the purposes of the Offer. Shareholders should consider carefully the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors before deciding whether to accept or reject the Offer. The IFA’s advice is set out in its letter dated 15 June 2022, which is set out in Appendix A to this Circular (the “**IFA Letter**”).

9.2 Key Factors Taken into Consideration by the IFA. Unless otherwise defined or the context otherwise requires, all capitalised terms below shall have the same meanings as those defined in the IFA Letter.

In arriving at its advice, the IFA has relied on the following key considerations (an extract of which is set out below and which should be read in conjunction with, and in the context of, the full text of the IFA Letter):

“9.1 Our Opinion

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) *notwithstanding the increase in the Group’s revenue from approximately S\$221.3 million in FY2019 to approximately S\$249.6 million in FY2021, its pre-tax profit had decreased from approximately S\$4.7 million in FY2019 to approximately S\$3.9 million in FY2021 while its net profit attributable to owners of the Company had increased from approximately S\$3.8 million in FY2019 to approximately S\$4.4 million in FY2021. Excluding the grants received from various government support programs relating to the COVID-19 pandemic including the forgiven loans under the PPP, the Group would have recorded a lower net gain attributable to owners of the Company in FY2021;*
- (b) *the Offer Price exceeds all the closing prices of the Shares for the one-year period except for the last 3 trading days including the Last Trading Day;*
- (c) *the Offer Price represents:*
 - (i). *a premium of approximately 20.5%, 17.3%, 9.4% and 3.3% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;*
 - (ii). *a premium of approximately 0.6% over the VWAP of the Shares of S\$0.4226 for the period after the Offer Announcement and up to the Latest Practicable Date; and*
 - (iii). *The Offer Price represents a marginal premium of 1.2% over the closing price of the Shares of S\$0.4200 on the Latest Practicable Date;*
- (d) *the Shares had generally outperformed the FTFSTAS Index during the one-year period prior to and including the Last Trading Day as the closing prices of the Shares had increased by approximately 31.3% while the FTFSTAS Index had increased marginally by approximately 3.2%;*
- (e) *the Offer Price represents a significant premium of approximately 118.9% times over the NAV per Share of S\$0.194 (based on 295,589,973 outstanding Shares) as at 31 December 2021 and would value the Group at a P/NAV ratio of 2.19 times;*
- (f) *in respect of the Comparable Companies:*
 - (i). *the LTM P/E ratio of the Company of 28.3 times (as implied by the Offer Price) is significantly higher than the maximum of the Comparable Companies of 15.4 times;*

- (ii). *the LTM EV/EBITDA ratio of the Company of 12.2 times (as implied by the Offer Price) is above the maximum multiple 8.0 times of the Comparable Companies; and*
 - (iii). *the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range of 0.70x and 2.97x and (ii) above the mean and median ratio of 1.43x and 1.29x respectively of the Comparable Companies;*
- (g) *in respect of the Precedent MO:*
 - (i). *the lack of premium (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is (i) within the minimum and maximum range of the Precedent MO;*
 - (ii). *the premium of approximately 3.3% (as implied by the Offer Price) over the one- month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range (ii) above the median and mean of 1.4% and 3.3% respectively of Precedent MO;*
 - (iii). *the premium of approximately 9.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range (ii) above the corresponding median and mean of 3.6% and 6.7% respectively of the Precedent MO;*
 - (iv). *the premium of approximately 17.3% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is above the maximum premium of 10.1% of Precedent MO; and*
 - (v). *the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range, and (ii) relatively close to the maximum multiple of 2.91 times;*
- (h) *in respect of the Precedent Non-Privatisation:*
 - (i). *the lack of premium of approximately (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is within the minimum and maximum range of premium of Precedent Non-Privatisation;*
 - (ii). *the premium of approximately 3.3% (as implied by the Offer Price) over the one- month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range of premium, and (ii) lower than the mean premium of 5.4% of Precedent Non-Privatisation;*
 - (iii). *the premium of approximately 9.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day (i) within the minimum and maximum range of premium, and (ii) higher the median and mean premia of 3.1% and 8.4% of Precedent Non-Privatisation;*

- (iv). *the premium of approximately 17.3% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading is above the maximum premium of 10.0% of Precedent Non-Privatisation; and*
- (v). *the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range of multiple, and (ii) higher than the median and mean multiple of 0.83 times and 1.13 times respectively of Precedent Non-Privatisation;*
- (i) *the Offer Price is within the Estimated Theoretical Valuation Range based on the market-based approach of between S\$0.4017 and S\$0.4179 per Share;*
- (j) *As set out in the Offer Document, the Offeror currently intends to maintain the listing status of the Company. However, in the event that the Company does not meet the minimum public float required under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) under Section 215(1) of the Companies Act, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time;*
- (k) *the Offer Price represents a premium of approximately 12.01% over the average transacted price for the acquisitions of Shares by DeClout Pte. Ltd. during the period from 1 January 2021 to Offer Announcement Date; and*
- (l) *as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company within the 1-year period prior to the Last Trading Day.*

Having considered the aforementioned points including the various factors set out in this Letter and summarised in this section, we are of the opinion that, on balance, the financial terms of the Offer are fair and reasonable.

*In determining that the Offer is **fair**, we have considered the following pertinent factors:*

- (a) *(i) a premium over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively, (ii) a premium over the VWAP of the Shares for the period after the Offer Announcement and up to the Latest Practicable Date, and (iii) the Offer Price represents a marginal premium of 1.2% over the closing price on the Latest Practicable Date;*
- (b) *the Offer Price represents a significant premium over the NAV per Share as at 31 December 2021; and*
- (c) *the Offer Price is within the Estimated Theoretical Valuation Range of between S\$0.4017 and S\$0.4179 per Share.*

*In determining that the Offer is **reasonable**, we have considered the following pertinent factors:*

- (a) *uncertainty of the economy outlook given China zero COVID policy, Russia and Ukraine tension which leads to supply chain disruptions, inflation*

concerns and the Federal Reserve System interest rate hike that could potentially lead to an economy slowdown;

- (b) the Group's profitability had been improving slightly from FY2019 to FY2021 and, excluding the grants received from various government support programs relating to the COVID-19 pandemic including the forgiven loans under the PPP, the Group would have recorded a lower (approximately S\$2.5 million) net gain attributable to owners of the Company in FY2021;*
- (c) in respect of the Comparable Companies;*
 - (i) LTM P/E ratio of the Company is higher than the maximum range of multiples of the Comparable Companies;*
 - (ii) LTM EV/EBITDA of the Company is higher than the maximum range of multiple of the Comparable Companies; and*
 - (iii) P/NAV is within range of the Comparable Companies and is higher than the mean and median ratio.*
- (d) in respect of the Precedent MO;*
 - (i) the premium of the Offer Price over the three-month and one-month VWAP up to and including the Last Trading Day of the Shares is within the minimum and maximum range of premia of the Precedent MO;*
 - (ii) the premium of the Offer Price over the six-month VWAP up to and including the Last Trading Day of the Shares is above the maximum range of premium of the Precedent MO*
 - (iii) the premium of the Offer Price over the six-month, three-month and one-month VWAP up to and including the Last Trading Day of the Shares is above the corresponding median and median premia of the Precedent MO, and*
 - (iv) the P/NAV ratio of the Company (as implied by the Offer Price) is within the minimum and maximum range of ratio of the Precedent MO and it is relatively close to the maximum ratio;*
- (e) in respect of the Precedent Non-Privatisation;*
 - (i) the premium of the Offer Price over the last transacted price of the Shares on one-month and three-month VWAP up to and including the Last Trading Day is within the minimum and maximum premia of the Precedent Non-Privatisation;*
 - (ii) the premium of the Offer Price over the six-month VWAP of the Shares up to and including the Last Trading Day is above the maximum range of premium of the Precedent Non-Privatisation; and*
 - (iii) the P/NAV ratio of the Company (as implied by the Offer Price) is within the minimum and maximum range of ratio of the Precedent MO and is relatively close to the maximum ratio.*

- (f) *As set out in the Offer Document, the Offeror currently intends to maintain the listing status of the Company. However, in the event that the Company does not meet the minimum public float required under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) under Section 215(1) of the Companies Act, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time;*
- (g) *the Offer Price represents a premium of approximately 12.01% over the average transacted price for the acquisitions of Shares by DeClout Pte. Ltd. during the period from 1 January 2021 to Offer Announcement Date; and*
- (h) *as at the Latest Practicable Date, there is no alternative take-over offer for the Shares within the 1-year period prior to Last Trading Day.”*

9.3 Advice of the IFA. Unless otherwise defined or the context otherwise requires, all capitalised terms below shall have the same meanings as those defined in the IFA Letter.

After carefully considering all available information and based on the IFA's assessment of the financial terms of the Offer, the IFA has advised the Independent Directors to make the following recommendation to Shareholders in relation to the Offer:

“9.2 Our Advice

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date as well as certain economy factors as stipulated in section 8.8.3, we are of the opinion that, as of the date hereof, the terms of the Offer, on balance, are fair and reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to accept the Offer. As at the Latest Practicable Date, the Offer has been declared to be unconditional in all respects.

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Offer do not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of Evolve in each specific case, except for the purposes of the Offer. Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore and are strictly limited to the matters stated herein and do not apply by implication to any other matter.”

9.4 Shareholders should read the extracts in paragraphs 9.2 and 9.3 above in conjunction with, and in the context of, the full text of the IFA Letter which is set out in Appendix A to this Circular.

10. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

- 10.1 Exemption by the SIC.** The SIC has ruled that Mr Lim Swee Yong, a director of the Company (the “**Relevant Director**”) is exempted from the requirement to make a recommendation on the Offer as he faces irreconcilable conflicts of interest from his position as the chief executive officer of DeClout Ventures Pte. Ltd., a subsidiary of the Offeror. Nevertheless, the Relevant Director will remain responsible for the accuracy of the facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.
- 10.2 Recommendation of Independent Directors.** The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA, concur with the advice given by the IFA in respect of the Offer. Accordingly, the Independent Directors recommend that the Shareholders ACCEPT the Offer.

SHAREHOLDERS ARE ADVISED TO READ THE IFA LETTER SET OUT IN APPENDIX A TO THIS CIRCULAR CAREFULLY.

- 10.3 No Regard to Specific Objectives.** In making their recommendation, the Independent Directors have not had regard to the specific objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. Accordingly, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

11. OVERSEAS SHAREHOLDERS

The Offer Document sets out the full text of the information in relation to Overseas Shareholders, which has been extracted therefrom and is reproduced in *italics* below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“9. OVERSEAS SHAREHOLDERS”

*The availability of the Offer to Shareholders whose mailing addresses are outside of Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions. Accordingly, any Overseas Shareholder should inform himself about and observe any applicable legal requirements, and exercise caution in relation to the Offer, as this Offer Document, the Notification Letter, the FAAs and the FATs have not been reviewed by any regulatory authority in any overseas jurisdiction. **Where there are potential restrictions on sending this Offer Document, the Notification Letter, the FAAs and/or the FATs to any overseas jurisdictions, the Offeror, UOB and CDP each reserves the right not to send these documents to Shareholders in such overseas jurisdictions. For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document, the Notification Letter, the FAAs and/or the FATs have not been, or may not be, sent.***

*Copies of this Offer Document and any other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction (a “**Restricted Jurisdiction**”) and will not be capable of acceptance by any such*

use, means, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility.

Overseas Shareholders may, nonetheless, obtain copies of this Offer Document, the Notification Letter, the FAAs and/or the FATs and any related documents, during normal business hours and up to the Closing Date, from the Offeror through its receiving agent, (a) CDP (if he is a depositor) by submitting a request to CDP via telephone (+65 6535 7511) or email services (asksgx@sgx.com); or (b) the Share Registrar (if he is a scripholder), Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at its office located at 80 Robinson Road #11-02, Singapore 068898.

Alternatively, an Overseas Shareholder may write to the Offeror through CDP (if he is a depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, the Share Registrar (if he is a scripholder) at the address listed above, to request for this Offer Document, the Notification Letter, the FAAs and/or the FATs and any related documents to be sent to an address in Singapore by ordinary post at the Overseas Shareholder's own risk.

It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document, the Notification Letter, the FAAs and/or the FATs and/or any related documents; or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror and any person acting on its behalf (including UOB) shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror and/or any person acting on its behalf (including UOB) may be required to pay. In (i) requesting for this Offer Document, the Notification Letter, the FAAs and/or the FATs and any related documents; and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and UOB that he is in full observance of the laws of the relevant jurisdiction in that connection, and that he is in full compliance with all necessary formalities or legal requirements. **Any Overseas Shareholder who is in any doubt about his position should consult his professional adviser in the relevant jurisdiction.**

The Offeror and UOB each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder (including an Overseas Shareholder) to receive or see such announcement, notice or advertisement."

12. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

As stated in Section 12 of the Letter to Shareholders in the Offer Document, CPFIS Investors will receive further information on how to accept the Offer from their CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice. CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks by the deadline stated in the letter from their respective CPF Agent Banks. CPFIS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their CPF investment accounts.

SRS Investors will receive further information on how to accept the Offer from their SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice. SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks by the deadline stated in the letter from their respective SRS Agent Banks. SRS Investors who accept the Offer will receive the Offer Price payable in respect of their Offer Shares in their SRS investment accounts.

13. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and/or the Acceptance Forms which have been sent to them.

Shareholders who wish to accept the Offer must do so no later than **5.30 p.m. (Singapore time) on 1 July 2022**. **The Offer Document states that the Offer will not be extended, nor will it be open for acceptance beyond 5.30 p.m. (Singapore time) on 1 July 2022.** The Directors would like to draw the attention of Shareholders who wish to accept the Offer to the “Procedures for Acceptance of the Offer” as set out in Appendix VI to the Offer Document.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received by CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, no later than **5.30 p.m. (Singapore time) on 1 July 2022**.

14. RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of this Circular) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this Circular (other than those relating to the Offeror, the EXEO Group, the Offeror Concert Parties and the IFA Letter) are fair and accurate and that no material facts have been omitted from this Circular, the omission of which would make any statement in this Circular misleading, and they jointly and severally accept responsibility accordingly.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror (including, without limitation, the Offer Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced in this Circular.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Company are fair and accurate.

Yours faithfully
For and on behalf of the
Board of Directors of
Procurri Corporation Limited

LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER



Evolve Capital Advisory Private Limited
138 Robinson Road, Oxley Tower
#13-02, Singapore 068906
Tel: +65 6241 6626
www.evolvecapitalasia.com

LETTER FROM EVOLVE CAPITAL ADVISORY PRIVATE LIMITED TO THE INDEPENDENT DIRECTORS IN RELATION TO THE OFFER

Evolve Capital Advisory Private Limited
(Incorporated in the Republic of Singapore)
(Company Registration Number: 201718400R)

138 Robinson Road
#13-02, Oxley Tower
Singapore 068906

15 June 2022

To: The Independent Directors of Procurri Corporation Limited (the “**Company**”)
(in respect of the Offer (as defined below))

Mr. Thomas Sean Murphy
Mr. Ng Loh Ken Peter
Mr. Wong Quee Quee, Jeffrey
Mr. Loke Wai San
Mr. Toh Hsiang Wen Keith
Dr. Lim Puay Koon

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFER BY UNITED OVERSEAS BANK LIMITED, FOR AND ON BEHALF OF DECLOUT PTE LTD FOR THE OFFER SHARES

Unless otherwise defined or the context otherwise requires, all terms defined in the circular dated 15 June 2022 (the “**Circular**”) issued by the Company to the shareholders of the Company shall have the same meanings herein.

1. INTRODUCTION

On 20 May 2022 (the “**Offer Announcement Date**”), United Overseas Bank Limited (“**UOB**”) announced (the “**Offer Announcement**”), for and on behalf of DeClout Pte. Ltd. (the “**Offeror**”), that the Offeror intends to make a mandatory conditional cash offer (the “**Offer**”) to acquire all the ordinary shares (the “**Shares**”) in the capital of the Company, other than treasury shares and those Shares already owned, controlled or agreed to be acquired by the Offeror (the “**Offer Shares**”). The Offer, when made, will be extended on the same terms and conditions to:

- (a) all the Shares, other than treasury shares and those Shares already owned, controlled or agreed to be acquired by the Offeror;
- (b) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options granted under the Procurri Corporation Employee Share Option Scheme prior to the close of the Offer; and
- (c) all new Shares unconditionally issued or delivered or to be issued or delivered pursuant to the vesting and release of any outstanding awards granted under the Procurri Corporation Performance Share Plan (“**Procurri PSP Awards**”) prior to the close of the Offer.

For the purposes of the Offer, the expression "**Offer Shares**" will include all such Shares and the expression (the "**Shareholders**") shall mean each shareholder of the Company.

Pursuant to the dealings disclosure and offer unconditional announcement dated 26 May 2022, UOB announced, for and on behalf of the Offeror, that the Offer has become unconditional in all respects.

On 3 June 2022, UOB issued, for and on behalf of the Offeror, the offer document dated 3 June 2022 (the "**Offer Document**") containing, inter alia, the terms and conditions of the Offer.

In connection with the Offer, Evolve Capital Advisory Private Limited ("**Evolve**") has been appointed by the Company as the independent financial advisory (the "**IFA**") to the directors of the Company (the "**Directors**") who are considered independent for the purposes of making a recommendation to the Shareholders in respect of the Offer (the "**Independent Directors**"). This letter ("**Letter**") is addressed to the Independent Directors and sets out, inter alia, our evaluation of the financial terms of the Offer and our opinion and advice thereon, and forms part of the Circular providing, inter alia, details of the Offer and the recommendation of the Independent Directors.

2. TERMS OF REFERENCE

We have been appointed as the IFA to advise the Independent Directors on the financial terms of the Offer in compliance with Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**"). We have confined our evaluation to the financial terms of the Offer and have not considered the strategic, legal, commercial risks and/or commercial merits of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale for or the strategic or long-term merits of the Offer or on the future prospects of the Company and its subsidiaries (collectively, the "**Group**") or the method and terms by which the Offer has been made or any other alternative methods by which the Offer may be made. Such evaluations and comments remain the sole responsibility of the Directors, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion and advice as set out in this Letter.

We are not authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Shares. We are therefore not addressing the relative merits of the Offer as compared to any alternative transaction that may be available to the Company (or the Shareholders) or as compared to any alternative offer that might otherwise be available in the future.

In the course of our evaluation of the financial terms of the Offer, we have relied on, and assumed without independent verification, the accuracy and completeness of published information relating to the Group. We have also relied on the information and representations, whether written or verbal, including relevant financial analyses, estimates and information contained in the Circular, provided by the management of the Company (the "**Management**"), the Directors and the Company's solicitors and/or auditors (where relevant). We have not independently verified such information and representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information and representations. We have nevertheless made reasonable enquiries and exercised our judgement as we deemed necessary in assessing the information and representations provided to us and have found no reason to doubt the reliability of the information and representations.

We have relied upon the assurances of the Directors that, upon making all reasonable enquiries and to the best of their respective knowledge, information and belief;

- (a) all material information in connection with the Offer, the Company and/or the Group has been disclosed to us;

- (b) such information is true, complete and accurate in all material respects; and
- (c) there is no other information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Offer, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors jointly and severally accept responsibility accordingly.

For the purposes of assessing the financial terms of the Offer and reaching our conclusion thereon, we have not conducted a comprehensive independent review of the business, operations or financial condition of the Group. We have also not relied upon any financial projections or forecasts in respect of the Company and/or the Group in our evaluation of the Offer. We are not required to express, and we do not express, any view on the growth prospects and earnings potential of the Company and/or the Group in connection with our opinion and advice in this Letter.

We have not made any independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group. As such, we have relied on the disclosures and representations made by the Company on the value of the assets, liabilities, and profitability of the Company and/or the Group. We have also not been furnished with any independent valuation or appraisal reports of the assets and liabilities of the Group.

Our analysis, opinion and advice as set out in this Letter are based on the market, economic, industry, monetary and other conditions in effect on, and the information provided to us as at, 7 June 2022 (the “**Latest Practicable Date**”). Such conditions may change significantly over a relatively short period of time, and we assume no responsibility to update, revise or reaffirm our opinion and advice in light of any subsequent development after the Latest Practicable Date that may affect our opinion and advice contained herein. Shareholders should further take note of any announcements relevant to their consideration of the Offer which may be released by the Company and/or the Offeror after the Latest Practicable Date.

In rendering our opinion and advice, we have not had regard to the specific investment objectives, financial situation, tax status, risk profile or unique needs and constraints of any individual Shareholder. As each Shareholder would have different investment objectives and profile, we would advise the Independent Directors to recommend that any individual Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his stockbroker, bank manager, solicitor, accountant, or other professional adviser immediately. As such, our opinion and advice should not be the sole basis for any Shareholder in deciding whether or not to vote in favour of the Offer and/or accept the Offer.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this Letter).

Our opinion and advice in respect of the Offer, as set out in paragraph 9 of this Letter, should be considered in the context of the entirety of this Letter and the Circular.

3. THE OFFER

Subject to the terms and conditions set out in the Offer Document and the accompanying relevant forms of acceptance for the Offer, for and on behalf of the Offeror, UOB has made the Offer for all the Offer Shares in accordance with Rule 14 of the Code on the following basis:

3.1. Offer Shares

The Offer, when made, will be extended on the same terms and conditions to:

- (a) all the Shares, other than treasury shares and those Shares already owned, controlled or agreed to be acquired by the Offeror;

- (b) all new Shares unconditionally issued or to be issued pursuant to the valid exercise of any options granted under the Procurri Corporation Employee Share Option Scheme prior to the close of the Offer; and
- (c) all new Shares unconditionally issued or delivered or to be issued or delivered pursuant to the vesting and release of any outstanding awards granted under the Procurri Corporation Performance Share Plan ("**Procurri PSP Awards**") prior to the close of the Offer

For the purposes of the Offer, the Offer Shares will include all such Shares.

3.2. Offer Shareholders

The Offer is extended to all Shareholders of the Company.

3.3. Offer Price

The consideration for each Offer Share (the "**Offer Price**") is S\$0.425 in cash. The Offer Price is final and the Offeror will not further increase the Offer Price.

3.4. No Encumbrances

The Offer Shares are to be acquired (a) fully paid-up, (b) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever, and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and hereafter attaching thereto (including the right to receive and retain all dividends, other distributions and return of capital (the "**Distributions**") which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

3.5. Adjustment for Distributions

If any Distribution is announced, declared, paid or made by the Company on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a shareholder of the Company who validly accepts or has validly accepted the Offer by an amount equivalent to such Distribution.

3.6. Closing Date

Except insofar as the Offer may be withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the date of posting of this Offer Document.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 1 July 2022.

Notice is hereby given that the Offeror will not extend the Offer beyond 5.30 p.m. (Singapore time) on the Closing Date and the Offer will not be open for acceptance beyond 5.30 p.m. (Singapore time) on the Closing Date.

3.7. Warranty

Acceptance of the Offer will be deemed to constitute an unconditional and irrevocable warranty by the accepting Shareholder that each Offer Share tendered in acceptance of the Offer is sold by the accepting Shareholder, as or on behalf of the beneficial owner(s) thereof, (a) fully paid-up; (b) free from Encumbrances; and (c) together with all rights, benefits and entitlements attached thereto as at the Offer Announcement Date and thereafter attaching thereto (including the right to receive and retain all dividends, rights, other distributions and return of capital, if any, which may be announced, declared, paid or made thereon by the Company on or after the Offer Announcement Date).

3.8. Further Details of the Offer

Further details of the Offer including (a) the duration of the Offer, (b) the settlement of the consideration for the Offer, (c) the requirements relating to the announcement(s) of the level of acceptances of the Offer, and (d) the right of withdrawal of acceptances of the Offer are set out in Appendix V to the Offer Document.

4. OFFER DECLARED UNCONDITIONAL IN ALL RESPECT

On 26 May 2022, the resultant total percentage of Shares owned, controlled or agreed to be acquired by the Offeror and persons acting in concert with it after the dealing is 50.39%, based on the total number of issued Shares.

Per the Offer Announcement, the Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (whether before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 50% of the voting rights attributable to the issued share capital of the Company (excluding treasury shares) as at the close of the Offer.

The Acquired Shares, when taken together with the Shares owned by the Offeror and parties acting in concert with it, has resulted in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the maximum potential issued share capital of the Company. For this purpose, the "**maximum potential issued share capital of the Company**" means the total number of Shares (excluding treasury shares) which would be in issue had all outstanding Procurri PSP Awards been validly vested as at the date of such declaration.

Accordingly, the Offer has become unconditional as to acceptance and is hereby declared unconditional in all respects as at 26 May 2022.

5. INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from section 3 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expression used in the extract below shall bear the same meanings as those defined in the Offer Document. Additional information on the Offeror is also set out in Appendix I and Appendix II of the Offer Document.

"3. **INFORMATION ON THE OFFEROR AND EXEO GROUP**

3.1 ***Information on the Offeror***

The Offeror is a company incorporated in Singapore, and the principal activities of the Offeror are that of investment holding, strategic management and corporate shared services. The Offeror is a wholly-owned subsidiary of Exeo Global Pte. Ltd., which in turn is a wholly-owned subsidiary of EXEO Group.

APPENDIX I to this Offer Document sets out certain additional information on the Offeror.

3.2 ***Information on EXEO Group***

EXEO Group is a Japanese conglomerate in the business of construction and supply of telecommunications infrastructure, electrical, civil and environmental engineering services, systems solutions and integration services. EXEO Group is listed on the Tokyo Stock Exchange.

APPENDIX II to this Offer Document sets out certain additional information on EXEO Group.”

6. IRREVOCABLE UNDERTAKINGS

The following information on the Offeror has been extracted from section 5 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expression used in the extract below shall bear the same meanings as those defined in the Offer Document.

“5. **IRREVOCABLE UNDERTAKINGS**

5.1 **Details of Irrevocable Undertakings**

Certain Shareholders (the “Undertaking Shareholders”) have provided irrevocable undertakings in favour of the Offeror (each, an “Irrevocable Undertaking”, and collectively, the “Irrevocable Undertakings”) to accept the Offer in respect of all the Shares held by them.

5.2 **Aggregate Holdings**

As at the Latest Practicable Date, the Undertaking Shareholders hold in aggregate 6,881,800 Shares, representing approximately 2.33% of the total number of Shares.

Details of the Undertaking Shareholders’ shareholding in the Company which will be tendered in acceptance of the Offer by each Undertaking Shareholder pursuant to their respective Irrevocable Undertaking are as follows:

<i>Undertaking Shareholder</i>	<i>Number of Shares to be tendered in acceptance of the Offer</i>	<i>Percentage of the total number of Shares (%)</i>
<i>Tan Wei Meng</i>	<i>3,781,750</i>	<i>1.28</i>
<i>Phang Chee Can</i>	<i>2,300,000</i>	<i>0.78</i>
<i>Tan Joon Ngee, Jacky</i>	<i>700,500</i>	<i>0.24</i>
<i>Zachary George Sexton ⁽¹⁾</i>	<i>100,000 ⁽²⁾</i>	<i>0.03</i>
<i>Total</i>	<i>6,881,800 ⁽³⁾</i>	<i>2.33</i>

Notes:

- (1) *Further and with reference to the Offer Announcement and the announcement dated 26 May 2022, the name of Zachary George Sexton should be spelt ‘Zachary George Sexton’ instead of ‘Zackary George Sexton’.*
- (2) *Zachary George Sexton also holds 84,600 Procurri PSP Awards.*
- (3) *As disclosed in the Offer Announcement, the Offeror had originally received Irrevocable Undertakings in respect of an aggregate of 48,985,949 Shares from certain Undertaking Shareholders as at the Offer Announcement Date. Following the announcements by UOB on behalf of the Offeror on 25 May 2022 and 26 May 2022, the Offeror had acquired, by way of married trades, in aggregate 42,104,509 Shares from certain Undertaking Shareholders that had originally provided Irrevocable Undertakings amounting to 42,104,149 Shares as at the Offer Announcement Date. As a result, such Undertaking Shareholders will no longer be under an obligation to accept the Offer in respect of these Shares*

5.3 **Termination of Irrevocable Undertakings**

The Irrevocable Undertakings shall terminate, lapse and cease to have any effect upon the Offer lapsing or being withdrawn for whatever reason other than as a result of a breach of any of the Undertaking Shareholders’ obligations under the Irrevocable Undertakings.

5.4 No Other Irrevocable Undertakings

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any persons acting in concert with the Offeror has received any irrevocable undertaking from any other person to accept or reject the Offer.”

7. RATIONALE FOR THE OFFER AND OFFEROR’S INTENTIONS FOR THE COMPANY

The full text of the rationale for the Offer and the Offeror’s intentions for the Company has been extracted from section 6 of the Offer Document and is reproduced in italics below. Unless otherwise defined, all terms and expression used in the extract below shall bear the same meanings as those defined in the Offer Document.

“6. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY

6.1 Rationale for the Offer

As set out in paragraph 1.1 above, the Offeror is making the Offer in compliance with the requirements of Rule 14 of the Code.

6.2 Offeror’s Intentions for the Company

The Offeror intends for the Company to continue to develop and to grow the existing businesses of the Group. The Offeror also intends to conduct a review of and to rationalise the operations of the Group as well as the Company’s business plans and strategic options. The Offeror retains and reserves the right and flexibility at any time and from time to time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Offeror and/or the Company.

Save as disclosed above, the Offeror does not currently have any intention to (a) make any major changes to the business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group, other than in the ordinary course of business.”

8. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the financial terms of the Offer, we have considered the following which we view as pertinent and having a significant bearing on our evaluation:

- (a) Historical financial performance of the Group;
- (b) Historical market price performance and trading activity of the Shares;
- (c) Historical Share price performance relative to market index;
- (d) Net asset value (“NAV”) of the Group;
- (e) Valuation ratios of selected companies listed on the Nasdaq Stock Exchange (the “Nasdaq”) and The Stock Exchange of Hong Kong Limited (the “HKEx”) which principal business activities are broadly comparable to those of the Group;
- (f) Selected precedent take-over offers involving companies listed on Singapore Exchange Securities Trading Limited (the “SGX-ST”);
- (g) Estimated theoretical valuation of the Shares; and
- (h) Other relevant considerations.

The figures, underlying financial and market data used in our analysis, including securities prices, trading volumes, free float data and foreign exchange rates have been extracted from S&P Capital IQ (“CIQ”), Bloomberg, the SGX-ST, the Nasdaq, the HKEx and other public filings as at the Latest Practicable Date or as provided by the Company where relevant. Evolve makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

8.1. Historical Financial Performance of the Group¹

For the purpose of evaluating the financial terms of the Offer, we have considered the consolidated financial statements of the Group for the financial years ended 31 December 2019 (“FY2019”), 31 December 2020 (“FY2020”) and 31 December 2021 (“FY2021”).

The following summary of the financial information should be read in conjunction with the full text of the Group’s published financial statements for FY2019, FY2020 and FY2021 in respect of the relevant financial years including the notes thereto.

Consolidated statements of comprehensive income

(S\$’000)	Audited		
	FY2019	FY2020	FY2021
Revenue	221,289	233,467	249,628
Gross profit	78,104	64,745	60,498
Profit before tax	4,737	4,031	3,856
Profit for the year attributable to owners of Company	3,775	2,696	4,446

Consolidated cash flow statements

(S\$’000)	Audited		
	FY2019	FY2020	FY2021
Net cash generated from operating activities	18,413	27,479	9,440
Net cash generated from/(used in) investing activities	(1,148)	2,728	899
Net cash used in financing activities	(16,231)	(10,503)	(12,653)
Net increase/(decrease) in cash and cash equivalent	1,034	19,704	(2,314)
Cash and cash equivalent at end of financial year	11,623	31,254	29,472

Consolidated statement of comprehensive income

FY2019 to FY2020

The revenue of the Group increased by approximately S\$12.2 million or 5.5% from approximately S\$221.3 million in FY2019 to approximately S\$233.5 million in FY2020 mainly due to an increase in revenue from both the IT Distribution segment and the Lifecycle Services segment which was attributable to better performance from most regions.

The profit before income tax of the Group decreased by approximately S\$0.7 million or 14.9% from approximately S\$4.7 million in FY2019 to approximately S\$4.0 million in FY2020 mainly due to (a) a decrease in gross profit which is attributable to the completion of lower margin hardware deals to clear aged inventories in the IT Distribution segment and a general contraction in margins from the Lifecycle Services segment and an increase in allowance for

¹ Source: Company Annual Reports for FY2020 and FY2021

stock obsolescence, (b) an increase in selling expenses as a result of the reclassification of sales employees' salaries previously recorded in administrative expenses in accordance with the Company's revamped sales commission plan, and (c) an increase in other charges largely due to the recognition of foreign exchange loss, allowance of bad debts, and the impairment of goodwill.

This was offset by (a) an increase in other income largely due to the grants received from various government support programs relating to the COVID-19 pandemic including the forgiven loans under the Paycheck Protection Program (the "PPP") in the United States, (b) decrease in administrative expenses largely due to a decrease in staff costs from the reclassification of sales employee's salaries to selling expenses, and (c) a decrease in finance costs as a result of lower borrowings.

Taking into account the income tax expenses, the Group's net profit attributable to owners of the Company decreased by approximately S\$1.1 million or 28.6% from approximately S\$3.8 million in FY2019 to approximately S\$2.7 million in FY2020.

Had the grants received from various government support programs relating to the COVID-19 pandemic including the forgiven loans under the PPP (which in aggregate amounted to approximately S\$5.4 million) been excluded, the Group would have recorded a loss before income tax of approximately S\$1.4 million and a net loss attributable to owners of the Company in FY2020.

FY2020 to FY2021

At the start of FY2021, the Group re-organised its business segment to increase focus on high-potential growth segments of its core markets. The Group re-organised from two business segments of (1) IT Distribution and (2) Lifecycle Services, into two business segments of (1) Hardware, Lifecycle Services and IT Asset Disposition ("**HW and ITAD**") and (2) Third Party Maintenance ("**TPM**"). The HW and ITAD business segment comprised offerings that used to be reported under Lifecycle Services and are now combined to enable the Group to deliver a broader and more connected set of solutions to customers.

The revenue of the Group increased by approximately S\$16.0 million or 6.9% from approximately S\$233.5 million in FY2020 to approximately S\$249.6 million in FY2021 mainly from HW and ITAD was attributable to better performance from most regions.

The profit before income tax of the Group decreased by approximately S\$0.1 million or 2.5% from approximately S\$4.0 million in FY2020 to approximately S\$3.9 million in FY2021 mainly due to (a) a decrease in gross profit which is attributable to general contraction in margin from the TPM segment and an increase in allowance for stock obsolescence, and (b) an increase in selling expenses as a result of the reclassification of sales employees' salaries previously recorded in administrative expenses in accordance with the Company's revamped sales commission plan (c) a decrease in other income largely due to the grants received from various government support programs relating to the COVID-19 pandemic including the forgiven loans under the Paycheck Protection Program (the "PPP") in the United States and Jobs Support Scheme ("**JSS**")

This was offset by, (a) decrease in administrative expenses largely due to a decrease in staff costs from the reclassification of sales employee's salaries to selling expenses and (b) a decrease in finance costs as a result of lower borrowings.

Taking into account the income tax expenses, the Group's net profit attributable to owners of the Company increased by approximately S\$1.7 million or 63.0% from approximately S\$2.7 million in FY2020 to approximately S\$4.4 million in FY2021.

Had the grants received from various government support programs relating to the COVID-19 pandemic including the forgiven loans under the PPP (which in aggregate amounted to approximately S\$2.4 million) been excluded, the Group would have recorded a gain before

income tax of approximately S\$1.5 million and a lower net gain attributable to owners of the Company in FY2021.

Consolidated cash flow statements

The Group recorded net cash generated from operating activities of approximately S\$18.4 million, S\$27.5 million and S\$9.4 million in FY2019, FY2020 and FY2021 respectively.

In respect of FY2021:

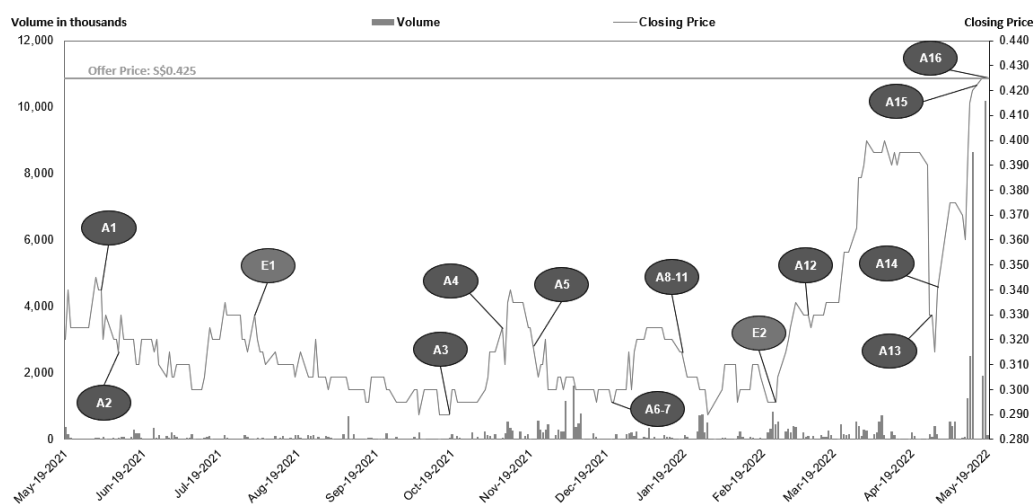
- (a) the Group recorded net cash generated from operating activities of approximately S\$9.4 million mainly due to operating cash flows before changes in working capital of approximately S\$19.5 million, an increase in inventories of approximately S\$4.9 million, an increase of trade and other receivables of approximately S\$16.7 million which were offset by an increase in deferred income of approximately S\$3.0 million, an increase in trade and other payables of approximately S\$9.1 million and income tax paid of approximately S\$0.6 million;
- (b) the Group recorded net cash generated from investing activities of approximately S\$0.9 million mainly due to proceeds from maturity of fixed deposits of approximately S\$1.3 million, which was offset by the purchase of plant and equipment of approximately S\$0.4 million;
- (c) the Group recorded net cash used in financing activities of approximately S\$12.7 million mainly due to repayment of loans and borrowings of approximately S\$157.3 million, payment of principal portion of lease liabilities of approximately S\$2.7 million which were offset by proceeds from loans and borrowings of approximately S\$148.1 million; and
- (d) taking into account the cash and cash equivalents at the beginning of FY2021 of approximately S\$31.3 million and the net decrease in cash and cash equivalents of approximately S\$2.3 million, The Group's cash and cash equivalents amounted to approximately S\$29.5 million (excluding fixed deposits of approximately S\$0.1 million) as at 31 December 2021.

8.2. Historical Market Price Performance and Trading Activity of the Shares

8.2.1. Daily closing prices and daily trading volumes for the one-year period prior to and including Last Trading Day

We have compared the Offer Price to the daily closing prices for the one-year period between 20 May 2021 and 19 May 2022 (the “**Last Trading Day**”), being the last market day immediately prior to the Offer Announcement. We have also marked certain dates in the one-year period where significant events occurred.

Daily closing prices and daily trading volumes of the Shares for the one-year period prior to and including the Last Trading Day



Source: CIQ and Company’s announcements on SGX website

Earnings announcements:

- E1. 2 August 2021:** The Company reports earnings results for the Half Year ended June 30, 2021. The Company announced that it sees continued multi-year market growth, accelerated by the global shift to cloud/edge computing and growing global commitments to sustainable IT. The Company’s total revenue increased by approximately 13.9%, with its profit before tax, excluding COVID-19 relief decreasing by approximately 3.7% from 1H2020.
- E2. 24 February 2022:** The Company reports earnings results for the Full Year ended December 31, 2021. The Company announced that it continues to see multi-year growth prospects as both enterprises and investors increase spend on sustainable IT. The Company’s revenue grew approximately 7.1% to an all-time high of approximately \$249.9 million in FY2021, while net income grew approximately 64.6% on expanded revenue and growing productivity. Total operating expenses declined approximately 7.0% YoY to S\$59.5 million in FY2021 due to the Company’s upgraded operations, which delivered productivity gains through automation and global economies of scale.

Other significant announcements:

- A1. 1 June 2021:** The Company announces the appointment of Toh Hsiang-Wen Keith as Alternate Director to Loke Wai San.
- A2. 9 June 2021:** The Company announces the resignation of Edward John Flachbarth as Executive Director, Global President and Global Head of Maintenance with effect from 1 July 2021.

- A3. 18 October 2021:** The Board of Directors of Procurri Corporation Limited announces that its wholly-owned subsidiaries, Rockland Congruity LLC (“**Rockland Congruity**”) and Procurri LLC (“**PLLC**”), have commenced the filing of a joint action by way of complaint against Brian Davidson (“**Davidson**”), Sean Brady (“**Brady**”), Congruity, LLC (“**Congruity**”) and Congruity 360, LLC (“**C360**”) (collectively, the “**Defendants**”), in the Court of Chancery of the State of Delaware, the United States on 15 October 2021 (the “**Complaint**”). The Complaint arises from C360’s improper sale of its third-party information technology maintenance business to a competitor of the Company in violation of a restrictive covenants agreement (the “**RCA**”). The RCA only allows C360 to sell third party maintenance services through Rockland Congruity during the restricted time period, and it does not allow C360 to authorise a third party to provide such services to customers who purchased third party maintenance services from C360. Additionally, in connection with the sale, Congruity, Davidson, and Brady breached their obligation to not disclose confidential information and trade secrets related to Rockland Congruity’s business pursuant to multiple contracts. C360 has also failed to pay over US\$438,031.45 which is currently past due to Rockland Congruity.
- A4. 8 November 2021:** The Company appoints Lim Swee Yong as a Non-Independent Non-Executive Director of the Company and a member of the Audit Committee of the Company with effect from 9 November 2021.
- A5. 20 November 2021:** The Company wishes to update that the plaintiffs in the litigation have added Park Place Technologies, LLC (“**Park Place**”) as an additional Defendant in the current action by filling an Amended Complaint in the Court of Chancery of the State of Delaware on 18 November 2021. The plaintiffs seek an injunction against Park Place and to recover damages from Park Place of not less than US\$17 million for tortiously interfering with the RCA and not less than US\$1 million for tortiously interfering with multiple Rockland Congruity’s employee contracts. The amended complaint also includes an update to the amount owed from C360 to Rockland Congruity for open accounts from US\$438,031.45 to US\$1,494,213.80.
- A6. 21 December 2021:** The Company announces the resignation of Mr. Choo Joo Kwang as Group Chief Financial Officer.
- A7. 21 December 2021:** The Company announces the appointment of Ms. Sin Yi Tian as Group Chief Financial Officer, effective 10 January 2022.
- A8. 18 January 2022:** Vesting of 31,300 ordinary share awards pursuant to the Procurri Corporation Performance Share Plan for Lim Puay Koon.
- A9. 18 January 2022:** Vesting of 31,300 ordinary share awards pursuant to the Procurri Corporation Performance Share Plan for Wong Quee Quee, Jeffrey.
- A10. 18 January 2022:** Vesting of 31,300 ordinary share awards pursuant to the Procurri Corporation Performance Share Plan for Ng Loh Ken Peter.
- A11. 18 January 2022:** Vesting of 367,400 ordinary share awards pursuant to the Procurri Corporation Performance Share Plan for Thomas Sean Murphy.
- A12. 9 March 2022:** Vesting of 155,400 ordinary share awards pursuant to the Procurri Corporation Performance Share Plan for Thomas Sean Murphy.
- A13. 26 April 2022:** The Company held its Annual General Meeting on 26 April 2022.
- A14. 29 April 2022:** The Company appoints Lim Swee Yong as Member of the Nominating Committee with effect from 1 May 2022.
- A15. 17 May 2022:** DeClout Pte. Ltd. acquired 12,192,100 shares.
- A16. 19 May 2022:** DeClout Pte. Ltd. acquired 9,813,246 shares.

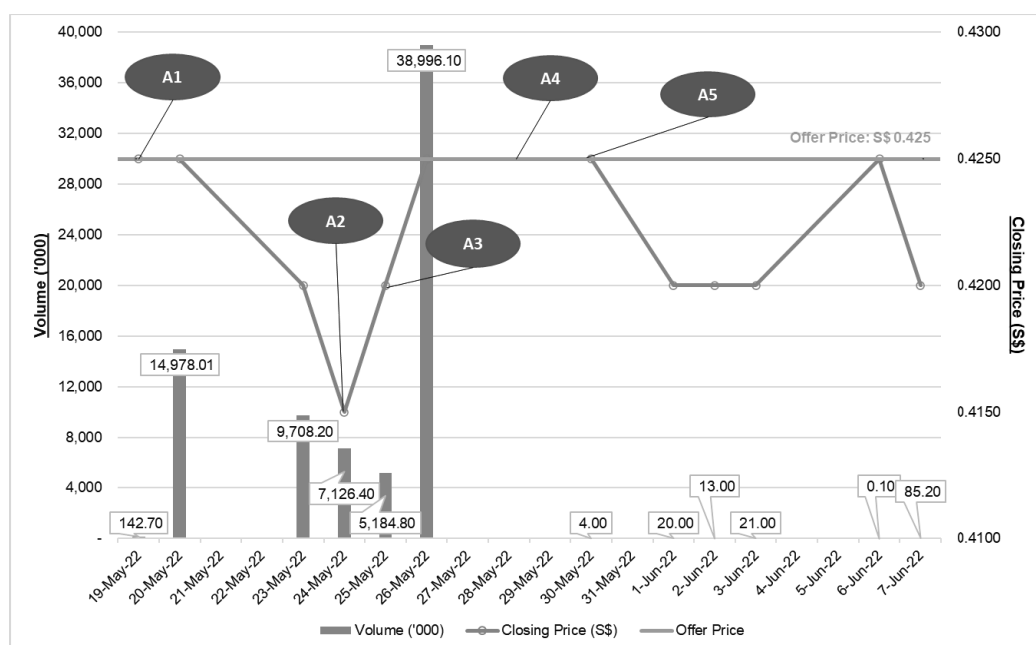
The closing prices of the Shares had generally traded flat from S\$0.320 on 19 May 2021 to S\$0.335 on 21 March 2022, with all-time low prices of S\$0.290 on 6 October 2021, 14 October 2021, 18 October 2021 and 28 January 2022. In the period from 21 March 2022, the closing prices of the Shares generally trended upwards from S\$0.335 to approximately S\$0.395, before sharply dropping to S\$0.315 on 28 April 2022. Following that, the closing prices of the Shares generally trended upwards from S\$0.315 on 28 April 2022 to a high of S\$0.425 on the Last Trading Day.

Based on the above chart:

- (a) the Offer Price exceeds all the closing prices of the Shares for the one-year period except for the last 3 trading days including the Last Trading Day when the Offer Price is similar to the closing price of S\$0.425; and
- (b) the highest closing price of the Shares was S\$0.425 (on the Last Trading Day) during the one-year period.

8.2.2. Daily closing prices and daily trading volumes for the period between the Last Trading Day and Latest Practicable Date

Daily closing prices and daily trading volumes of the Shares for the period between the Last Trading Day and the Latest Practicable Date



Source: CIQ and Company's announcements on SGX Website

Other significant announcements:

- A1. 20 May 2022:** The Offer Announcement was made.
- A2. 24 May 2022:** Thomas Sean Murphy disposed 11,041,011 shares via off-market transaction.
- A3. 25 May 2022:** DeClout Pte. Ltd. acquired 8,048,900 shares via market and off-market transactions.

- A4. 28 May 2022:** Koh Swee Yong disposed 15,305,000 shares via off-market transaction.
- A5. 31 May 2022:** The Company incorporated a wholly owned subsidiary, Procurri Japan GK, in Japan.

Based on the above chart, the closing prices of the Shares ranged between S\$0.415 and \$0.425, with total trading volume of approximately 76,280,000 Shares for the period between the Last Trading Day and the Latest Practicable Date. We note that during this period:

- (a) the market purchases by DeClout Pte. Ltd. (“**DeClout**”) (being a controlling shareholder of the Company holding 148,956,066 Shares, representing approximately 50.39% of the issued Shares as at the Latest Practicable Date) amounted to an aggregate of 61,935,320 Shares (or approximately 81.20% of the total trading volume²) at a transacted price of approximately S\$0.425³ and
- (b) the closing prices of the Shares have not exceeded the Offer Price.

8.2.3. Historical volume-weighted average prices

We also set out below the premia implied by the Offer Price over the historical volume-weighted average prices (“**VWAP**”) for:

- (a) the one-year period prior to and including the Last Trading Day; and
- (b) the period after the Offer Announcement and up to the Latest Practicable Date

	VWAP ⁽¹⁾	Premium of Offer Price over VWAP	Highest Closing Price	Lowest Closing Price	Average daily trading volume (“ADTV”) ⁽²⁾	ADTV as % of free float ⁽²⁾⁽³⁾
	(S\$)	(%)	(S\$)	(S\$)	(‘000)	(%)
Periods prior to and including Last Trading Day						
One-year	0.3527	20.5	0.425	0.290	285	0.25
6-month	0.3622	17.3	0.425	0.290	434	0.37
3-month	0.3887	9.4	0.425	0.295	619	0.53
1-month	0.4116	3.3	0.425	0.315	1,368	1.29
Last Trading Day	0.4250 ⁽⁴⁾	0.0	0.425	0.425	143	0.13
Period after the Offer Announcement and up to the Latest Practicable Date						
After Offer Announcement and up to Latest Practicable Date	0.4226	0.6	0.425	0.415	6,116	9.96
Latest Practicable Date	0.4200 ⁽⁴⁾	1.2	0.420	0.420	85	0.14

Source: Bloomberg, CIQ and Evolve’s calculations

Notes:

² Source: CIQ

³ On 25 May 2022, there was a purchase of 2,025,500 shares by DeClout for S\$0.420 per share as sourced from SGX announcement

- (1) The VWAPs are weighted based on the average traded prices and traded volumes of the Shares for the relevant market days for each of the above periods.
- (2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the relevant period divided by the number of market days during that period.
- (3) Free float refers to the issued share capital of the Company held by the public (as defined in the Listing Manual) amounting to (a) approximately 116.3 million Shares or 39.53% for the one-year period prior to and including 3-month period prior to Last Trading Day, (b) approximately 106.1 million Shares or 35.89% for the one-month period to Last Trading Day and (c) 61.4 million Shares or 20.77% for the period on the Offer Announcement and up the Latest Practicable Date.
- (4) Refers to the closing price of the Shares on the Last Trading Day and the Latest Practicable Date, as the case may be.

Our observations are set out below.

Periods prior to and including the Last Trading Day:

- (a) The closing prices of the Shares over the one-year period prior to and including the Last Trading Day were ranged between S\$0.290 to S\$0.425, and the Offer Price represents a premium of approximately 20.5%, 17.3%, 9.4% and 3.3% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively.
- (b) The Offer Price did not represent any premiums based on the Last Trading Day.
- (c) During the one-year period prior to and including the Last Trading Day, the average daily trading volume of the Shares ranged between approximately 143,000 Shares and 1,368,000 Shares, representing approximately 0.25%, 0.37%, 0.53%, 1.29% and 0.13% of the Company's free float for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively.

Period after the Offer Announcement and up to the Latest Practicable Date:

- (a) The closing prices of the Shares ranged between S\$0.415 and S\$0.425 for the period after the Offer Announcement and up to the Latest Practicable Date, and the Offer Price represents a premium of approximately 0.6% over the VWAP of the Shares of S\$0.4226 during this period.
- (b) The Offer Price represents a marginal premium of 1.2% over the closing price of the Shares of S\$0.4200 on the Latest Practicable Date.
- (c) For the period after the Offer Announcement and up to the Latest Practicable Date, the average daily trading volume of the Shares was approximately 6,116,000 Shares, representing approximately 9.96% of Company's free float.

Based on the above, it would appear that the market prices of the Shares may be supported by the Offer subsequent to the Offer Announcement.

Shareholders should note that (a) there is no assurance that the market prices of the Shares after the close of the Offer may be maintained at the prevailing level as at the Latest Practicable Date, and (b) the past trading performance of the Shares should not in any way be relied upon as an indication or a promise of its future trading performance.

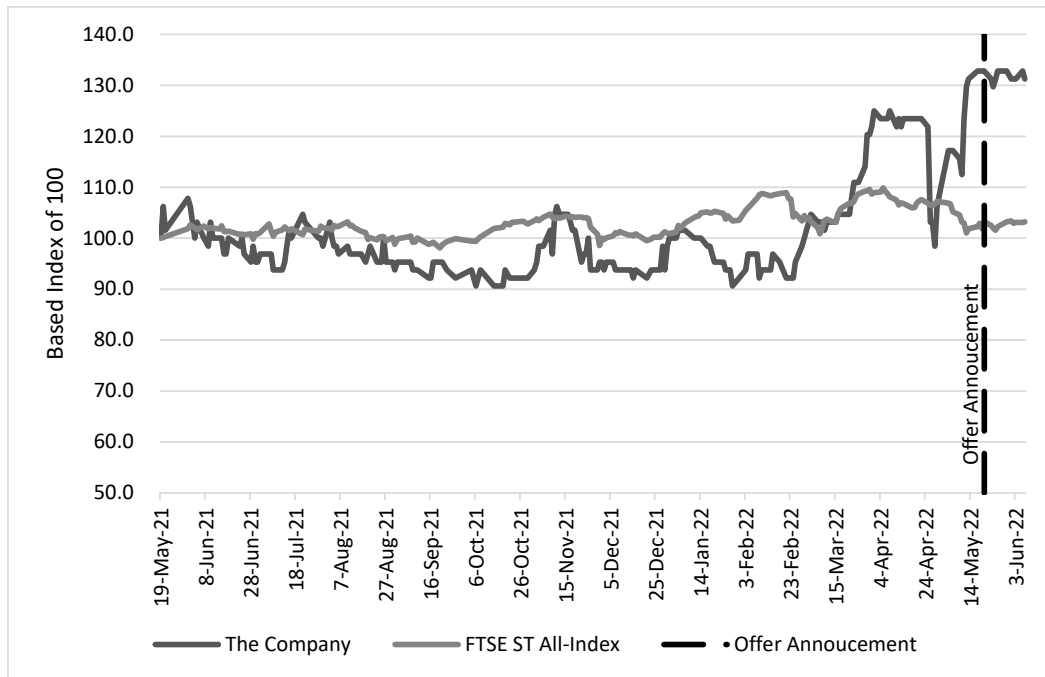
We wish to highlight that the market valuation of shares of a company traded on a securities exchange may be affected by, inter alia, the prevailing economic conditions, economic outlook, stock market conditions and sentiment, the corporate activities of the company, its relative liquidity, the size of its free float, the extent of research coverage, the investor interest it attracts and the general market sentiment at a given point in time.

8.3. Historical Share Price Performance Relative to Market Index

To gauge the market price performance of the Shares relative to the general share price performance of the Singapore equity market, we have compared the market price movement of the Shares against the FTSE ST All-Share Index (the “**FTFSTAS Index**”), which is a market capitalization-weighted index tracking the performance of companies listed on the SGX-ST that are within the top 98% by market capitalization.

The market price performance of the Shares relative to the FTFSTAS Index for the period commencing one-year prior to the Last Trading Day and ending on the Latest Practicable Date is illustrated below:

Share price performance against the FTFSTAS Index (rebased) for the period commencing one-year prior to the Last Trading Day and ending on the Latest Practicable Date



Source: CIQ

We also set out below the movements in the closing prices of the Shares and the FTFSTAS Index between;

- (a) The price one-year prior to Last Trading Day and Latest Practicable Date; and
- (b) The Last Trading Day and Latest Practicable Date:

	One-year prior Last Trading Day	As at Last Trading Day	As at Latest Practicable Date	% change one-year prior Last Trading Day to Latest Practicable Date	% change Last Trading Day to Latest Practicable Date
Shares (S\$)	0.320	0.425	0.420	31.3%	-1.2%
FTFSTAS Index	761.74	775.70	786.01	3.2%	1.3%

Based on the above, we note that:

- (a) the Shares had generally outperformed the FTFSTAS Index during the one-year period prior to and including the Last Trading Day as the closing prices of the Shares had increased by approximately 31.3% while the FTFSTAS Index had increased marginally by approximately 3.2%; and
- (b) for the period between and including the Last Trading Day to the Latest Practicable Date, the closing prices of the Shares slightly underperformed the FTFSTAS Index (Shares had decreased by approximately 1.2% while FTFSTAS Index increased by approximately 1.3%).

It would therefore appear that the market prices of the Shares may be supported by the Offer subsequent to the Offer Announcement.

Shareholders should note that (a) there is no assurance that the market prices of the Shares after the close of the Partial Offer may be maintained at the prevailing level as at the Latest Practicable Date, and (b) the past trading performance of the Shares should not in any way be relied upon as an indication or a promise of its future trading performance. Any comparison of the historical price performance of the Shares with the FTFSTAS Index is solely for illustrative purposes.

8.4. NAV of the Group

The NAV of a group refers to the aggregate value of all the assets in their existing condition, net of any non-controlling interests and all the liabilities of the group. The NAV approach may provide an estimate of the value of a group assuming the hypothetical sale of all its assets over a reasonable period of time, the proceeds of which would be first used to settle the liabilities of the group with the balance available for distribution to its shareholders. Therefore, the net assets of a group are perceived as providing support for the value of the shareholders' equity.

A summary of the audited financial position of the Group as at 31 December 2021⁴ is set out as follows:

	Audited As at 31 December 2021 (S\$'000)
ASSETS	
Non-current assets	
Plant and Equipment	2,260
Right-of-use assets	4,409
Investments in subsidiaries	-
Intangible assets	12,528
Finance lease receivables	50
Deferred tax assets	5,261
Total non-current assets	24,508
Current assets	
Inventories	20,928
Trade and other receivables	51,412
Prepayments	8,971
Finance lease receivables	528
Cash and bank balances	29,597
Total current assets	111,436
Total assets	135,944
EQUITY AND LIABILITIES	
Current liabilities	
Trade and other payables	36,318
Deferred income	20,561
Loans and borrowings	12,082
Lease liabilities	1,531
Income tax payable	1,854
Total current liabilities	72,346
Non-current liabilities	
Deferred tax liabilities	38
Loans and borrowings	-
Lease liabilities	3,896
Provisions	978
Deferred income	1,301
Total non-current liabilities	6,213
Total liabilities	78,559
Equity	
Share capital	74,695
Retained earnings	29,084
Reserves	(46,394)
Total equity	57,385

⁴ Source: FY2021 Annual Report

	Audited As at 31 December 2021 (S\$'000)
Total equity and liabilities	135,944

Number of issued Shares as at Latest Practicable Date ('000) ⁽¹⁾	295,590
NAV per share	S\$0.194
Premium of Offer Price over NAV per share	118.9%
Price to NAV ("P/NAV") ratio as implied by Offer Price	2.19x⁽²⁾

Notes:

- (1) As at 31 December 2021, the share capital of the Company comprised 294,237,973 issued Shares. Following the allotment and issuance of 1,196,600 new Shares and 155,400 new Shares, pursuant to the vesting of certain share awards granted under the Procurri Corporation Performance Share Plan in January 2022 and March 2022 respectively⁵, the share capital of the Company had increased to 295,589,973 issued Shares.
- (2) As at the Latest Practicable Date, the Company had outstanding awards granted under the Procurri Corporation Performance Share Plan which are capable of being vested into 1,614,200 new Shares. In the event that such awards were vested into new Shares, the NAV per Share would be S\$0.193 and the P/NAV ratio would remain close to 2.20 times.

As set out in the table above, the NAV per Share as at 31 December 2021 was S\$0.194 based on 295,589,973 issued Shares. Accordingly, the Offer Price represents a significant premium of approximately 118.9% over the NAV per Share as at 31 December 2021 and would value the Group at a P/NAV ratio of 2.19 times

Shareholders should note that the above NAV analysis provides an estimate of the value of the Group based on the net assets of the Group as at 30 December 2021, and such hypothetical scenarios are assumed without considering factors such as, inter alia, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically affect the NAV that can be realised. While the asset base of the Group can be a basis for valuation, such a valuation does not necessarily imply a realisable market value as the market values of the assets and liabilities may vary depending on prevailing market and economic conditions.

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which value may be materially different from that recorded in the statement of financial position of the Group as at 31 December 2021 and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group or announced by the Company that are likely to have a material impact on the NAV of the Group as at 31 December 2021.

In respect of the above, the Directors have confirmed that as at the Latest Practicable Date and to the best of their knowledge and belief:

- (a) there are no material differences between the realisable values of the Group's assets and their respective book values as at the Latest Practicable Date which would have a material impact on the NAV of the Group as at 31 December 2021;
- (b) apart from the litigation mentioned in paragraph 8.2.1 (A5), there are no other contingent liabilities, bad or doubtful debts, impairment losses or material events which would likely have a material impact on the NAV of the Group as at 31 December 2021;
- (c) apart from the litigation mentioned in paragraph 8.2.1 (A5), there are no litigation, claim or proceedings pending or threatened against the Company or the Group or likely to

⁵ Source: SGX announcements

give rise to any proceedings which might materially and adversely affect the financial position of the Company and/or the Group as at 31 December 2021;

- (d) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards (International) and which have not been so disclosed, that would have had a material impact on the overall financial position of the Group as at 31 December 2021;
- (e) there are no material acquisitions or disposals of assets by the Group between 31 December 2021 and the Latest Practicable Date, and the Group does not have any definite plans for any such impending material acquisition or disposal of assets, conversion of the use of the Group's material assets or material change in the nature of the Group's business; and
- (f) they are not aware of any circumstances which may cause the NAV of the Group as at the Latest Practicable Date to be materially different from that recorded in the audited balance sheet of the Group as at 31 December 2021.

8.5. Valuation Ratios of Selected Companies Listed on the Nasdaq and the HKEx Which Principal Business Activities are Broadly Comparable to Those of the Group

The Group is principally engaged in:

- (a) the IT distribution business involving the distribution of data centre equipment (which includes but are not limited to pre-owned servers, storage and networking equipment); and
- (b) the lifecycle services business involving the provision of IT maintenance support for IT systems and networks and the provision of services 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.

As discussed with the Management to the best of their knowledge and belief, we understand that;

- (a) companies having similar principal business activities and scale of business operations as the Group are generally unlisted; and
- (b) there are no companies listed on the SGX-ST which principal business activities may be considered to be similar to those of the Group.

As such, we have expanded our comparison to include companies listed in the United States (which accounted for the bulk of the Group's revenue in FY2021) and Hong Kong as broad proxies to the Group. We have made reference to the valuation ratios of selected companies listed on the Nasdaq and the HKEx with market capitalisations between S\$30 million and S\$300 million (or its equivalent in United States Dollars ("**US\$**") and Hong Kong Dollars ("**HK\$**")) and which are principally engaged in the provision of IT services to obtain an indication of the current market expectations with regard to the perceived valuation of the Group (collectively, the "**Comparable Companies**").

We wish to highlight that the Comparable Companies are not exhaustive and we recognise that there is no company listed on the Nasdaq and the HKEx which is identical to the Group in terms of, inter alia, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria and that such businesses may have fundamentally different profitability objectives. Shareholders should note that any comparison made with respect to the Comparable Companies merely serves to provide an illustrative perceived market valuation of the Group as at the Latest Practicable Date.

A brief description of the Comparable Companies⁶ is as follows:

Company Name Listing Exchange	Business Description	Financial Year End
CSP Inc. ("CSP")	United States CSP Inc. develops and markets IT integration solutions, security products, managed IT services, purpose built network adapters, and cluster computer systems for commercial and defense customers worldwide. It operates in two segments, Technology Solutions and High Performance Products. The Technology Solutions segment provides third-party computer hardware and software as a value added reseller to various customers; professional IT consulting services; storage and virtualization solutions; enterprise security intrusion prevention, network access control, and unified threat management services; and IT security compliance services. The High Performance Products segment offers ARIA Software-Defined Security, a cybersecurity solution; Myricom network adapters; and multicomputer products for digital signal processing applications in the defense markets. CSP Inc. was incorporated in 1968 and is headquartered in Lowell, Massachusetts.	30 September
Edensoft Holdings Limited ("Edensoft")	Hong Kong Edensoft Holdings Limited, an investment holding company, operates as an integrated IT solution and cloud services provider in the People's Republic of China. The company operates in three segments: IT Infrastructure Services, IT Implementation and Supporting Services, and Cloud Services. It is involved in the provision of IT infrastructure, and technical and maintenance supporting services; design of IT solutions; and development and/or implementation of solution-based software and/or hardware products. The company also offers design, management, and technical support for using cloud platforms, which include the self-developed cloud platform and other third-party cloud platforms. The company was founded in 2002 and is headquartered in Shenzhen, China. Edensoft Holdings Limited is a subsidiary of Aztec Pearl Limited.	31 December
Kinetix Systems Holdings Limited ("Kinetix Systems")	Hong Kong Kinetix Systems Holdings Limited, an investment holding company, provides information technology (IT) services in Hong Kong and Macau. The company operates through IT Infrastructure Solutions Services, IT Development Solutions Services, IT Maintenance and Support Services, and Entertainment Products segments. It provides IT infrastructure solutions services to its clients by advising them the hardware and/or software that their IT systems would require	31 December

⁶ Source: Capital IQ

Company Name Listing Exchange		Business Description	Financial Year End
		and procuring the hardware and/or software from a range of authorized distributors or third party suppliers and integrating them with clients' IT systems. The company was founded in 1998 and is based in Kwun Tong, Hong Kong. Kinetix Systems Holdings Limited is a subsidiary of Vigorous King Limited.	
Microware Group Limited ("Microware")	Hong Kong	Microware Group Limited, an investment holding company, provides information technology (IT) infrastructure solutions and IT managed services for the government, educational institutions, public bodies, non-profits organizations, and commercial organizations in Hong Kong. The company offers servers, data storage, and networking equipment; and connectivity, app management, and automation solutions, as well as app and data protection solutions. The company was incorporated in 2016 and is headquartered in Kwun Tong, Hong Kong. Microware Group Limited is a subsidiary of Microware International Holdings Limited.	31 March
Wayside Technology Group, Inc. ("Wayside")	United States	Wayside Technology Group, Inc. operates as a value-added information technology (IT) distribution and solutions company in the United States, Canada, Europe, the United Kingdom, and internationally. It operates in two segments, Distribution and Solutions. The company distributes technical software and hardware to corporate and value added resellers, consultants, and systems integrators under the names Climb Channel Solutions and Sigma Software Distribution; and software, hardware, and services under the names TechXtend and Grey Matter. Wayside Technology Group, Inc. was incorporated in 1982 and is headquartered in Eatontown, New Jersey.	31 December

In our evaluation, we have adopted the following valuation measures:

Valuation Multiple	Description
Latest twelve-month (“LTM”) price-earnings (“LTM P/E”) ratio	<p>The LTM P/E ratio illustrates the ratio of the market capitalisation of a company in relation to its historical consolidated full-year or LTM (as the case may be) net profit attributable to its shareholders. As such, it is affected by a company’s capital structure, tax position and policies relating to depreciation and intangible assets.</p> <p>We have considered the LTM P/E ratios of the Comparable Companies based on their respective market capitalisations on the Latest Practicable Date and their latest full-year or LTM (as the case may be) net profit attributable to shareholders.</p>
Latest twelve-month Enterprise value-to-earnings Before interest, taxes, depreciation and amortisation (“LTM EV/EBITDA”) ratio	<p>EV refers to enterprise value, which is the sum of a company’s market capitalisation, preferred equity, non-controlling interests, short-term and long-term debts less its cash and cash equivalents.</p> <p>LTM EBITDA refers to the historical consolidated full-year earnings or LTM (as the case may be) earnings before interest, taxes, depreciation and amortisation.</p> <p>The LTM EV/EBITDA ratio illustrates the ratio of the market value of a Company’s business in relation to its historical pre-tax operating cash flow performance. The LTM EV/EBITDA ratio is an earnings-based valuation methodology. The difference between the LTM EV/EBITDA ratio and the LTM P/E ratio (described above) is that the former does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges.</p> <p>We have considered the LTM EV/EBITDA ratios of the Comparable Companies based on their respective market capitalisations on the Latest Practicable Date, latest-available balance sheet values and latest full-year or LTM (as the case may be) EBITDA.</p>
P/NAV ratio	<p>The P/NAV ratio refers to the ratio of the market capitalisation of a company in relation to its NAV. The P/NAV ratio represents an asset-based relative valuation which takes into consideration the book value or NAV backing of a company.</p> <p>The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its assets and repayment of its liabilities and obligations, with the balance being available for distribution to its shareholders. It is an asset-based valuation methodology, and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p> <p>We have considered the P/NAV ratios of the Comparable Companies based on their respective market capitalisations on the Latest Practicable Date and their latest-available NAV.</p>

The valuation ratios of the Comparable Companies based on their respective last transacted share prices as at the Latest Practicable Date are set out below:

Company	Market Capitalisation ("S\$ mm")	LTM P/E (times)	LTM EV/EBITDA (times)	P/NAV (times)
CSP	43.9	NM	NM	1.29 x
Edensoft	168.6	8.7 x	1.2 x	0.81 x
Kinetix Systems	92.5	NM	NM	0.70 x
Microware	279.0	7.3 x	2.7 x	1.36 x
Wayside	160.2	15.4 x	8.0 x	2.97 x
Maximum		15.4 x	8.0 x	2.97 x
Mean		10.5 x	4.0 x	1.43 x
Median		8.7 x	2.7 x	1.29 x
Minimum		7.3 x	1.2 x	0.70 x
Company (implied by the Offer Price)⁽¹⁾	125.6	28.3 x	12.2 x	2.19 x

Notes:

NM Data not meaningful due to outlier

(1) in FY2021, if the grants received by the Group from various government support programs relating to the COVID-19 pandemic and the forgiven loans under the PPP (which in aggregate amounted to approximately S\$2.4 million) had been excluded, the LTM P/E and LTM EV/EBITDA ratio of the Company would be 60.2 times and 16.6 times respectively.

Based on the above, we note that:

- (a) the LTM P/E ratio of the Company of 28.3 times (as implied by the Offer Price) is significantly higher than the maximum of the Comparable Companies of 15.4 times;
- (b) the LTM EV/EBITDA ratio of the Company of 12.2 times (as implied by the Offer Price) is above the maximum multiple 8.0 times of the Comparable Companies; and
- (c) the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range of 0.70x and 2.97x and (ii) above the mean and median ratio of 1.43x and 1.29x respectively of the Comparable Companies.

8.6. Selected Precedent Take-over Offers Involving Companies Listed on the SGX-ST

8.6.1. Precedent MO

In our evaluation of the financial terms of the Offer, we have compared the valuation statistics of the Company (based on the Offer Price) vis-à-vis those of successful Offers involving companies listed on the SGX-ST during the 3-year period prior to the Offer Announcement (collectively, the “**Precedent MO**”):

Company Name	Announcement Date	Premium/(Discount) of offer price over/(to) ⁽¹⁾				Offer Price to NAV (times)
		Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	
China Kangda Food Company Limited	2-Jul-19	NM	NM	NM	(4.0)	0.50
TEE International Limited	7-Jul-20	12.7	15.2	27.5	(9.7)	(0.15)
ISEC Healthcare Ltd.	25-Oct-19	1.4	1.4	2.6	4.7	2.91
Lum Chang Holdings Limited	17-Nov-20	8.6	0.8	3.6	4.1	0.60
Tianjin Pharmaceutical Da Ren Tang Group Corporation Limited	20-Dec-20	NM	NM	(4.7)	(3.6)	0.65
Penguin International Limited	1-Feb-21	0.0	0.9	6.0	10.1	0.75
Lian Beng Group Ltd	14-Jun-21	6.4	4.5	1.4	6.0	0.33
Sembcorp Marine Ltd	22-Sep-21	(5.9)	(8.3)	NM	NM	0.63
Keong Hong Holdings Limited	21-Jan-22	3.8	6.2	10.2	10.0	0.61
Maximum		12.7	15.2	27.5	10.1	2.91
Mean		3.8	3.0	6.7	2.2	0.76
Median		3.8	1.4	3.6	4.4	0.61
Minimum		(5.9)	(8.3)	(4.7)	(9.7)	(0.15)
Company	20-May-2022	0.0	3.3	9.4	17.3	2.19

Notes:

(1) The market premia/(discounts) were calculated based on the last transacted prices and relevant VWAPs of the respective target companies prior to the offer announcements.

NM Data is not meaningful due to outlier

Based on the above, we note that:

- (a) the lack of premium (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading is (i) within the minimum and maximum range of the Precedent MO;
- (b) the premium of approximately 3.3% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range (ii) above the median and mean of 1.4% and 3.3% respectively of Precedent MO;
- (c) the premium of approximately 9.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range (ii) above the corresponding median and mean of 3.6% and 6.7% respectively of the Precedent MO;

- (d) the premium of approximately 17.3% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is above the maximum premium of 10.1% of Precedent MO; and
- (e) the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range, and (ii) relatively close to the maximum multiple of 2.91 times.

8.6.2. Precedent Non-Privatisation

As it is the intention of the Offeror to maintain the listing status of the Company on the SGX-ST, we have also compared the valuation statistics of the Company (based on the Offer Price) vis-à-vis those of successful non-privatisation take-over offers of companies listed on the SGX-ST (excluding real estate investment trusts and business trusts) which were announced during the 3 year prior Offer Announcement Date, where the offeror had indicated its intention to preserve the listing status of the target companies (collectively, the “**Precedent Non-Privatisation**”) as follows:

Company Name	Announcement Date	Premium/(Discount) of offer price over/(to) ⁽¹⁾				Offer Price to NAV (times)
		Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	
OIO Holdings Limited	20-Sep-19	NM	NM	NM	NM	1.64
ISEC Healthcare Ltd.	25-Oct-19	1.4	1.4	2.6	4.7	2.91
Axington Inc.	1-Jun-20	43.4	41.3	38.8	NM	1.39
Lum Chang Holdings Limited	17-Nov-20	8.6	0.8	3.6	4.1	0.60
Transit-Mixed Concrete Ltd	20-Feb-21	NM	NM	NM	NM	0.83
JEP Holdings Ltd.	21-Apr-21	0.0	(8.2)	(6.3)	(4.4)	1.22
Lian Beng Group Ltd	14-Jun-21	6.4	4.5	1.4	6.0	0.33
Sembcorp Marine Ltd	22-Sep-21	(5.9)	(8.3)	NM	NM	0.63
Keong Hong Holdings Limited	21-Jan-22	3.8	6.2	10.2	10.0	0.61
Maximum		43.4	41.3	38.8	10.0	2.91
Mean		8.2	5.4	8.4	4.1	1.13
Median		3.8	1.4	3.1	4.7	0.83
Minimum		(5.9)	(8.3)	(6.3)	(4.4)	0.33
Company	20-May-22	0.0	3.3	9.4	17.3	2.19

Notes:

- (1) The market premia/(discounts) were calculated based on the last transacted prices and relevant VWAPs of the respective target companies prior to the offer announcements.

Based on the above, we note that:

- (a) the lack of premium of approximately (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is within the minimum and maximum range of premium of Precedent Non-Privatisation;
- (b) the premium of approximately 3.3% (as implied by the Offer Price) over the one-month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range of premium, and (ii) lower than the mean premium of 5.4% of Precedent Non-Privatisation;

- (c) the premium of approximately 9.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day (i) within the minimum and maximum range of premium, and (ii) higher the median and mean premia of 3.1% and 8.4% of Precedent Non-Privatisation;
- (d) the premium of approximately 17.3% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading is above the maximum premium of 10.0% of Precedent Non-Privatisation; and
- (e) the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range of multiple, and (ii) higher than the median and mean multiple of 0.83 times and 1.13 times respectively of Precedent Non-Privatisation.

Shareholders should note that the level of premium (if any) an acquirer would normally pay in a take-over offer varies in different circumstances depending on, inter alia, the attractiveness of the underlying business to be acquired, the business synergies to be gained by the acquirer, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the trading liquidity of the target company's shares, the presence of competing bids for the target company, the extent of control the acquirer already has in the target company and prevailing market expectations. Consequently, each of the Precedent MO and Precedent Non-Privatisation has to be judged on its own merits (or otherwise).

The list of Precedent MO and Precedent Non-Privatisation indicated herein has been compiled based on publicly available information as at the Latest Practicable Date. The above table captures only the premia/discounts implied by the offer prices in respect of the Precedent MO and the Precedent Non-Privatisation over the aforementioned periods and does not highlight bases other than the aforementioned in determining an appropriate premium/discount for the Precedent MO and the Precedent Non-Privatisation.

It should be noted that the comparison is made without taking into account the total amount of the offer value of each Precedent MO and Precedent Non-Privatisation or the relative efficiency of information or the underlying liquidity of the shares of the relevant companies or the performance of the shares of the companies or the quality of earnings prior to the relevant announcements and the market conditions or sentiments when the announcements were made or the desire or the relative need for control leading to the making of the take-over offers. In addition, as some of the companies may have undertaken revaluations and/or adjustments to their assets which may have a material impact on their last announced book values, we have also, where relevant, compared the offer price of such Precedent MO and Precedent Non-Privatisation with the revalued NAV (or revalued NTA where applicable) and/or adjusted NAV (or adjusted NTA where applicable) of the relevant companies, where available.

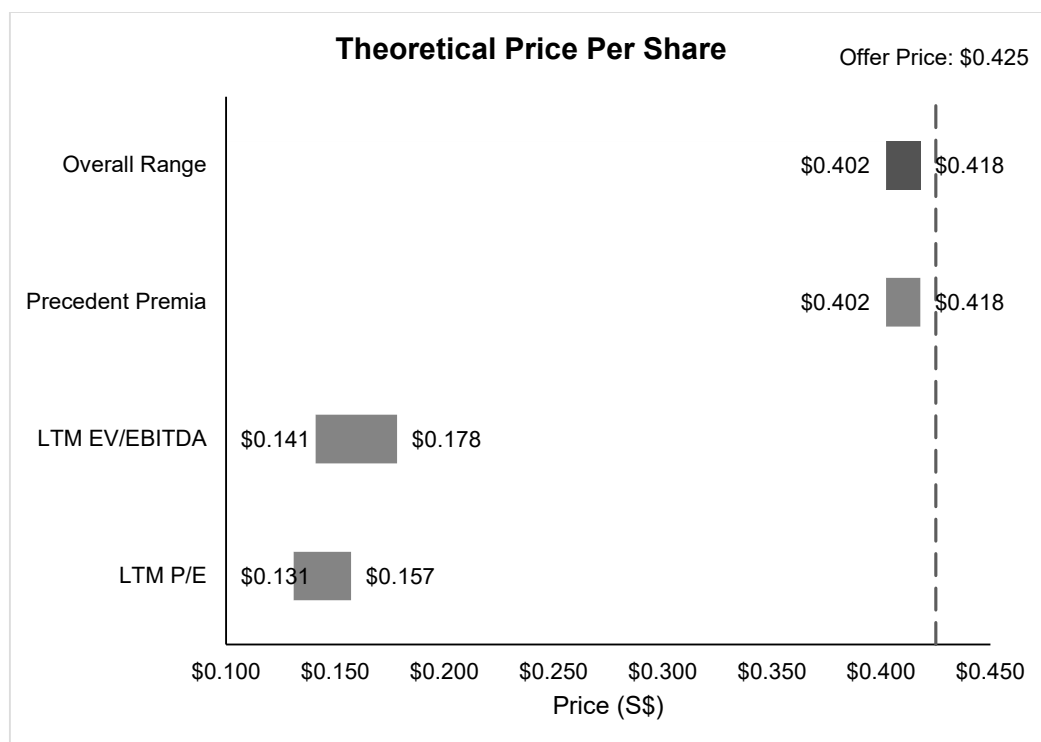
We wish to highlight that the Company is not in the same industry and does not conduct the same businesses as the other companies in the list of Precedent MO and Precedent Non-Privatisation and would therefore not be directly comparable to the list of companies in terms of, inter alia, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria. Accordingly, it should be noted that the above comparison merely serves as a general guide to provide an indication of the premium or discount in connection with the Precedent MO and the Precedent Non-Privatisation. Therefore, any comparison of the Offer with the Precedent MO and the Precedent Non-Privatisation is solely for illustrative purposes and any conclusions drawn from the comparisons may not necessarily reflect any perceived market valuation for the Company.

8.7. Estimated Theoretical Valuation of the Shares

In arriving at an estimated theoretical valuation of the Shares, we have adopted the following:

- (a) an earnings-based valuation methodology (namely, the LTM P/E and LTM EV/EBITDA ratios) in consideration of the earnings-based nature of the Group's principal business vis-à-vis an asset-based valuation methodology which is more commonly used for asset-heavy or asset-based companies; and
- (b) a market-based approach to factor in the premium that an offeror would generally pay in a non-privatisation transaction, by applying the average of the corresponding mean and median premia of the Precedent MO and Precedent Non-Privatisation (the "**Precedent Premia**") to the relevant historical market prices of the Shares.

Valuation Methodology	Derived theoretical valuation (\$ million)		Derived theoretical value per Share (\$)	
	Low	High	Low	High
Earnings-based				
LTM P/E ratios of Comparable Companies ⁽¹⁾	38.6	46.5	0.1305	0.1573
LTM EV/EBITDA ratios of Comparable Companies ⁽²⁾	41.6 ⁽³⁾	52.7 ⁽³⁾	0.1406	0.1783
Market-based				
Precedent premia of Precedent MO and Precedent Non-Privatisation ⁽⁴⁾	118.7	123.5	0.4017	0.4179
Overall range ⁽⁵⁾	118.7	123.5	0.4017	0.4179



Notes:

- (1) Based on the median and mean LTM P/E ratios of the Comparable Companies 8.7 times and 10.5 times respectively.
- (2) Based on the mean and median LTM EV/EBITDA ratios of the Comparable Companies of 2.7 times and 4.0 times respectively.
- (3) Equity value computed from enterprise value (“EV”) is based on cash and cash equivalent amounting to S\$29.6 million and loans of S\$12.1 million sourced from FY2021 financial statements.
- (4) Based on the VWAP of the Shares of S\$0.389 for the 3-month period prior to and including the Last Trading Day (which we consider to be a reasonable period for assessment) and the average of the corresponding median and mean premia of the Precedent MO and Precedent Non-Privatisation of 3.4% and 7.5% respectively.
- (5) Excludes LTM P/E and LTM EV/EBITDA ratios of the Comparable Companies as the resultant derived theoretical valuations are clear outliers. The difference in the derived theoretical valuations between the earnings-based approach (using LTM P/E and LTM EV/EBITDA ratios) and the market-based approach could be due to the different circumstances underlying these approaches, namely, (a) the earnings-based approach is dependent on, inter alia, the financial performance and scale of business operations of the Comparable Companies and the varying market valuations as at the Latest Practicable Date ascribed to the Comparable Companies by the different geographical stock exchanges which the Comparable Companies are listed on. As mentioned in paragraph 8.5 of this Letter, there is no company which is identical to the Group in terms of, inter alia, geographical markets, composition of business activities, scale of business operations, risk profile, asset base, valuation methodologies adopted, accounting policies, track record, future prospects, market/industry size, political risk, competitive and regulatory environment, financial positions and other relevant criteria, and such businesses may have fundamentally different profitability objectives, and (b) the market-based approach is based on the average premium paid by offerors for SGX-ST companies (which principal businesses are not necessarily similar to those of the Group) in non-privatisation transactions to garner a controlling stake in such companies, which is dependent on, inter alia, the attractiveness of the underlying business to be acquired, the business synergies to be gained by the acquirer, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the trading liquidity of the target company’s shares, the presences of competing bids for the target company, the extent of control the acquirer already has in the target company and prevailing market expectations.

Based on the above, the overall range of derived theoretical valuations based on the Market-based approach is between approximately S\$118.7 million and S\$123.5 million, which translates into between S\$0.4017 and S\$0.4179 per Share (the “**Estimated Theoretical Valuation Range**”). We note that the Offer Price marginally higher than this range.

8.8. Other Relevant Considerations

8.8.1. Listing status of the Company

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and persons acting in concert with it to above 90% of the total number of issued Shares (excluding treasury shares), the SGX-ST may suspend the trading of the Shares in the Ready and Unit Share markets until it is satisfied that at least 10% of the total number of issued Shares (excluding treasury shares) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding treasury shares), thus causing the percentage of the total number of issued Shares (excluding treasury shares) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

Under Rule 724(1) of the Listing Manual, if the percentage of the Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact, and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the

SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the Shares held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.

As set out in the Offer Document, it is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following the Offer and the Offeror does not currently intend to exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act.

8.8.2. Compulsory acquisition

Pursuant to Section 215(1) of the Companies Act, in the event that the Offeror acquires not less than 90% of the total number of Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding treasury shares), the Offeror will be entitled to exercise the right to compulsorily acquire all the Shares from Shareholders who have not accepted the Offer at a price equal to the Offer Price.

In addition, pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of Shares which, together with the Shares held by it, its related corporations and their respective nominees, comprise 90% or more of the total number of Shares, the Shareholders who have not accepted the Offer will have a right to require the Offeror to acquire their Shares at the Offer Price. Such Shareholders who wish to exercise such a right are advised to seek their own independent legal advice

8.8.3. Business and economy outlook of the Group

We note the following disclosure in the unaudited financial statements for FY2021 as announced by the Company on 24 February 2022. Unless otherwise defined, all terms and expressions used in the extract below shall bear the same meanings as those defined in the aforementioned announcement.

“Procurri is seeing a large-scale, multi-year shift in the enterprise IT hardware industry towards more sustainable IT practices. Based on its extensive participation in the market, Procurri has identified the following drivers for the global shift towards sustainable IT:

- (a) The convergence of consumer, enterprise and government preferences and policies for increasing environmental sustainability;*
- (b) The need to manage quickly-escalating costs of energy and waste as IT hardware increasingly powers the work and lifestyles for billions of people worldwide; and*
- (c) The increase in investor focus on environmental, social and governance factors in the interest of shareholders and business stakeholders.*

Procurri is in a distinct position to provide solutions to help enterprises around the world to improve the sustainability of their IT purchases and practices, given the Group’s long experience with renewing, recycling, and maintaining enterprise IT equipment.

Accordingly, the Group began a strategic transformation in late 2020 to focus its strategy on the large-scale shift towards sustainable IT. Over the course of 2021, Procurri has re-organised its global business, upgraded its IT infrastructure, increased its focus on key global accounts, entered new market areas in sustainable IT, and improved its operations to capitalise on global economies of scale.

These transformation initiatives have yielded early benefits to Procurri in the form of increased customer interest in its solutions, better service delivery, and new strategic partnerships with leading global companies in the IT manufacturing, IT distribution, and IT systems integration sectors. These developments have helped to drive record revenue for Procurri in 2021, along with the significant growth in net profits.

Throughout the year, Procurri has seen increasing interest from its customers and partners in helping to shape and deliver a more sustainable future for their IT practices. Accordingly, the Company continues to grow its service capabilities to deliver more sustainable equipment purchasing, IT maintenance, and responsible IT asset recycling and disposition.

As a testament to Procurri's rapidly growing capabilities in sustainable IT, Procurri was awarded the "Sustainable IT Project of the Year" at the inaugural CRN Tech Impact Awards 2021.

The Group believes these key positive market shifts, alongside the growing results of its strategic transformation, will help drive its performance in the next 12 months."

In addition, The COVID-19 pandemic has led many organizations to pivot away from traditional in-office tools and shift to hybrid work leading to an increased reliance on operations that support remote working activities. This shift has led to increased demand for public cloud services, with research group Gartner⁷ expecting global public cloud spending to increase by 20.4% to US\$494.7 Billion in the year 2022.

An obstacle to this demand, is the disruption that arises from the Russian-Ukraine crisis. Increased raw material prices and global inflationary pressures have dampened the growth of data centres around the world, as companies postpone expansions with the hope of costs falling⁸. During periods of disruption, demand for leased data centres cloud tend to surge as enterprises look to update disaster recovery plans and shift primary workload to cloud centres.

Notwithstanding the aforementioned mentioned trends, the economy outlook remained challenged given China zero COVID policy, Russia and Ukraine tension which leads to supply chain disruptions, inflation concerns and the Federal Reserve System interest rate hike. These factors could potentially lead to an economy slowdown.

⁷ Source: <https://www.gartner.com/en/newsroom/press-releases/2022-04-19-gartner-forecasts-worldwide-public-cloud-end-user-spending-to-reach-nearly-500-billion-in-2022#:~:text=IaaS%2C%20DaaS%20and%20PaaS%20to,latest%20forecast%20from%20Gartner%2C%20Inc.>

⁸ Source: <https://www.spqglobal.com/marketintelligence/en/news-insights/research/how-the-war-in-ukraine-could-impact-data-centers>

8.8.4. Historical acquisitions of Shares by DeClout per SGX Announcements

Date of acquisition	Number of shares	Transacted price per share (S\$)
25-Mar-21	1,390,000	0.3449
26-Mar-21	2,203,700	0.3496
29-Mar-21	1,693,900	0.3496
30-Mar-21	3,500,000	0.3500
31-Mar-21	5,015,000	0.3597
1-Apr-21	2,795,000	0.3632
5-Apr-21	2,558,900	0.3650
6-Apr-21	50,000	0.3614
7-Apr-21	350,000	0.3607
8-Apr-21	250,000	0.3604
9-Apr-21	450,000	0.3568
12-Apr-21	600,000	0.3602
13-Apr-21	1,518,900	0.3646
27-Apr-21	1,500,000	0.3610
12-May-22	1,864,300	0.4115
13-May-22	8,415,600	0.4247
17-May-22	1,912,200	0.4250
18-May-22	9,013,246	0.4250
18-May-22	800,000	0.4250
20-May-22	3,900,000	0.4250
20-May-22	11,041,011	0.4250
Mean		0.3794

We note that the Offer Price represents a premium of approximately 12.01% over the average transacted price of S\$0.3794 for the acquisitions of Shares by DeClout Pte. Ltd. from 1 January 2021 to Offer Announcement Date.

8.8.5. Voluntary Conditional Cash Partial Offer for the Company by Overseas-Chinese Banking Corporation Limited on behalf of NTCP SPV VIII

On 15 March 2021, Overseas-Chinese Banking Corporation Limited (“OCBC”) announced for and on behalf of NTCP SPV VIII (“NTCP”) that NTCP intends to make a voluntary conditional cash partial offer to acquire such number of issued ordinary shares in the Company. The offer price for the partial offer is S\$0.365 in cash (“NTCP Offer”). We note that the Offer Price represents a premium of approximately 16.4% over the NTCP Offer.

8.8.6. Market purchases of Shares by DeClout on and after the Offer Announcement⁹

We note that subsequent to the Offer Announcement, DeClout had purchased an aggregate of 61,935,320 Shares at a transacted prices of approximately S\$0.425¹⁰ during the period between 20 March 2022 and the Latest Practicable Date (the “DeClout Purchases”). The DeClout Purchases accounted for approximately 81.2% of the total trading volume of 76,279,510 Shares during this period¹¹. Following the DeClout Purchases, DeClout’s

⁹ Source: SGX Announcements

¹⁰ On 25 May 2022, there was a purchase of 2,025,500 shares by DeClout for S\$0.420 per share as sourced from SGX announcement

¹¹ Source: CIQ

shareholding interest in the Company increased from approximately 29.4% to 50.4% of the issued Shares as at the Latest Practicable Date.

Shareholders should note that the market prices of the Shares may be supported by the Offer subsequent to the Offer Announcement, and there is no assurance that the market prices of the Shares after the close of the Offer may be maintained at the prevailing level as at the Latest Practicable Date.

8.8.7. Absence of competing offer

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company within the 1 year period prior to the Last Trading Day. We also note that there is no publicly available evidence of any alternative offer for the Offer Shares from any third party.

8.8.8. Offeror's intentions for the Group

As stated in section 8.3 of the Offer Document is the current intention of the Offeror to maintain the listing status of the Company on the SGX-ST following the Offer and the Offeror does not currently intend to exercise any rights of compulsory acquisition that may arise under Section 215(1) of the Companies Act. However, in the event that the Company does not meet the minimum public float required under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) under Section 215(1) of the Companies Act, depending on, *inter alia*, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time.

8.8.9. Dividend track record of the Company

The Company had last paid a one-tier tax-exempt cash dividend of S\$0.00475 per Share in May 2017 in respect of the financial year ended 31 December 2016.

As set out in the Company's annual report for FY2021, the Company currently does not have a fixed dividend policy. In considering the form, frequency and amount of dividends that the board of Directors may recommend or declare in respect of any particular year or period, the board of Directors 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 of Directors may determine appropriate.

9. OPINION AND ADVICE

9.1. Our Opinion

In arriving at our opinion on the financial terms of the Offer, we have taken into consideration, inter alia, the following factors summarised below as well as elaborated elsewhere in this Letter. The following should be read in conjunction with, and in the context of, the full text of this Letter:

- (a) notwithstanding the increase in the Group's revenue from approximately S\$221.3 million in FY2019 to approximately S\$249.6 million in FY2021, its pre-tax profit had decreased from approximately S\$4.7 million in FY2019 to approximately S\$3.9 million in FY2021 while its net profit attributable to owners of the Company had increased from approximately S\$3.8 million in FY2019 to approximately S\$4.4 million in FY2021. Excluding the grants received from various government support programs relating to the COVID-19 pandemic including the forgiven loans under the PPP, the Group would have recorded a lower net gain attributable to owners of the Company in FY2021;
- (b) the Offer Price exceeds all the closing prices of the Shares for the one-year period except for the last 3 trading days including the Last Trading Day;
- (c) the Offer Price represents:
 - (i). a premium of approximately 20.5%, 17.3%, 9.4% and 3.3% over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively;
 - (ii). a premium of approximately 0.6% over the VWAP of the Shares of S\$0.4226 for the period after the Offer Announcement and up to the Latest Practicable Date; and
 - (iii). The Offer Price represents a marginal premium of 1.2% over the closing price of the Shares of S\$0.4200 on the Latest Practicable Date;
- (d) the Shares had generally outperformed the FTFSTAS Index during the one-year period prior to and including the Last Trading Day as the closing prices of the Shares had increased by approximately 31.3% while the FTFSTAS Index had increased marginally by approximately 3.2%;
- (e) the Offer Price represents a significant premium of approximately 118.9% times over the NAV per Share of S\$0.194 (based on 295,589,973 outstanding Shares) as at 31 December 2021 and would value the Group at a P/NAV ratio of 2.19 times;
- (f) in respect of the Comparable Companies:
 - (i). the LTM P/E ratio of the Company of 28.3 times (as implied by the Offer Price) is significantly higher than the maximum of the Comparable Companies of 15.4 times;
 - (ii). the LTM EV/EBITDA ratio of the Company of 12.2 times (as implied by the Offer Price) is above the maximum multiple 8.0 times of the Comparable Companies; and
 - (iii). the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range of 0.70x and 2.97x and (ii) above the mean and median ratio of 1.43x and 1.29x respectively of the Comparable Companies;
- (g) in respect of the Precedent MO:

- (i). the lack of premium (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading is (i) within the minimum and maximum range of the Precedent MO;
 - (ii). the premium of approximately 3.3% (as implied by the Offer Price) over the one- month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range (ii) above the median and mean of 1.4% and 3.3% respectively of Precedent MO;
 - (iii). the premium of approximately 9.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range (ii) above the corresponding median and mean of 3.6% and 6.7% respectively of the Precedent MO;
 - (iv). the premium of approximately 17.3% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading Day is above the maximum premium of 10.1% of Precedent MO; and
 - (v). the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range, and (ii) relatively close to the maximum multiple of 2.91 times;
- (h) in respect of the Precedent Non-Privatisation:
- (i). the lack of premium of approximately (as implied by the Offer Price) over the last transacted price of the Shares on the Last Trading Day is within the minimum and maximum range of premium of Precedent Non-Privatisation;
 - (ii). the premium of approximately 3.3% (as implied by the Offer Price) over the one- month VWAP of the Shares up to and including the Last Trading Day is (i) within the minimum and maximum range of premium, and (ii) lower than the mean premium of 5.4% of Precedent Non-Privatisation;
 - (iii). the premium of approximately 9.4% (as implied by the Offer Price) over the 3-month VWAP of the Shares up to and including the Last Trading Day (i) within the minimum and maximum range of premium, and (ii) higher the median and mean premia of 3.1% and 8.4% of Precedent Non-Privatisation;
 - (iv). the premium of approximately 17.3% (as implied by the Offer Price) over the 6-month VWAP of the Shares up to and including the Last Trading is above the maximum premium of 10.0% of Precedent Non-Privatisation; and
 - (v). the P/NAV ratio of the Company of 2.19 times (as implied by the Offer Price) is (i) within the minimum and maximum range of multiple, and (ii) higher than the median and mean multiple of 0.83 times and 1.13 times respectively of Precedent Non-Privatisation;
- (i) the Offer Price is within the Estimated Theoretical Valuation Range based on the market-based approach of between S\$0.4017 and S\$0.4179 per Share;
 - (j) As set out in the Offer Document, the Offeror currently intends to maintain the listing status of the Company. However, in the event that the Company does not meet the minimum public float required under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) under Section 215(1) of the Companies Act, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time;

- (k) the Offer Price represents a premium of approximately 12.01% over the average transacted price for the acquisitions of Shares by DeClout Pte. Ltd. during the period from 1 January 2021 to Offer Announcement Date; and
- (l) as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company within the 1-year period prior to the Last Trading Day.

Having considered the aforementioned points including the various factors set out in this Letter and summarised in this section, we are of the opinion that, on balance, the financial terms of the Offer are fair and reasonable.

In determining that the Offer is **fair**, we have considered the following pertinent factors:

- (a) (i) a premium over the VWAPs of the Shares for the one-year, 6-month, 3-month and one-month periods prior to and including the Last Trading Day respectively, (ii) a premium over the VWAP of the Shares for the period after the Offer Announcement and up to the Latest Practicable Date, and (iii) the Offer Price represents a marginal premium of 1.2% over the closing price on the Latest Practicable Date;
- (b) the Offer Price represents a significant premium over the NAV per Share as at 31 December 2021; and
- (c) the Offer Price is within the Estimated Theoretical Valuation Range of between S\$0.4017 and S\$0.4179 per Share.

In determining that the Offer is **reasonable**, we have considered the following pertinent factors:

- (a) uncertainty of the economy outlook given China zero COVID policy, Russia and Ukraine tension which leads to supply chain disruptions, inflation concerns and the Federal Reserve System interest rate hike that could potentially lead to an economy slowdown;
- (b) the Group's profitability had been improving slightly from FY2019 to FY2021 and, excluding the grants received from various government support programs relating to the COVID-19 pandemic including the forgiven loans under the PPP, the Group would have recorded a lower (approximately S\$2.5 million) net gain attributable to owners of the Company in FY2021;
- (c) in respect of the Comparable Companies;
 - (i) LTM P/E ratio of the Company is higher than the maximum range of multiples of the Comparable Companies;
 - (ii) LTM EV/EBITDA of the Company is higher than the maximum range of multiple of the Comparable Companies; and
 - (iii) P/NAV is within range of the Comparable Companies and is higher than the mean and median ratio.
- (d) in respect of the Precedent MO;
 - (i) the premium of the Offer Price over the three-month and one-month VWAP up to and including the Last Trading Day of the Shares is within the minimum and maximum range of premia of the Precedent MO;
 - (ii) the premium of the Offer Price over the six-month VWAP up to and including the Last Trading Day of the Shares is above the maximum range of premium of the Precedent MO

- (iii) the premium of the Offer Price over the six-month, three-month and one-month VWAP up to and including the Last Trading Day of the Shares is above the corresponding median and median premia of the Precedent MO, and
 - (iv) the P/NAV ratio of the Company (as implied by the Offer Price) is within the minimum and maximum range of ratio of the Precedent MO and it is relatively close to the maximum ratio;
- (e) in respect of the Precedent Non-Privatisation;
- (i) the premium of the Offer Price over the last transacted price of the Shares on one-month and three-month VWAP up to and including the Last Trading Day is within the minimum and maximum premia of the Precedent Non-Privatisation;
 - (ii) the premium of the Offer Price over the six-month VWAP of the Shares up to and including the Last Trading Day is above the maximum range of premium of the Precedent Non-Privatisation; and
 - (iii) the P/NAV ratio of the Company (as implied by the Offer Price) is within the minimum and maximum range of ratio of the Precedent MO and is relatively close to the maximum ratio.
- (f) As set out in the Offer Document, the Offeror currently intends to maintain the listing status of the Company. However, in the event that the Company does not meet the minimum public float required under the Listing Manual at the close of the Offer, the Offeror reserves the right to re-evaluate its position, including its right of compulsory acquisition (if applicable) under Section 215(1) of the Companies Act, depending on, inter alia, the ultimate level of acceptances received by the Offeror and the prevailing market conditions at the relevant time;
- (g) the Offer Price represents a premium of approximately 12.01% over the average transacted price for the acquisitions of Shares by DeClout Pte. Ltd. during the period from 1 January 2021 to Offer Announcement Date; and
- (h) as at the Latest Practicable Date, there is no alternative take-over offer for the Shares within the 1-year period prior to Last Trading Day.

9.2. Our Advice

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date as well as certain economy factors as stipulated in section 8.8.3, we are of the opinion that, as of the date hereof, the terms of the Offer, on balance, are fair and reasonable. Accordingly, we advise the Independent Directors to recommend Shareholders to accept the Offer. As at the Latest Practicable Date, the Offer has been declared to be unconditional in all respects.

The Independent Directors should note that transactions of the Shares are subject to possible market fluctuations and accordingly, our opinion and advice on the Offer do not and cannot take into account the future transactions or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review.

This Letter is addressed to the Independent Directors for their benefit, in connection with and for the purposes of their consideration of the financial terms of the Offer. The recommendation made by them to the Shareholders in relation to the Offer shall remain the sole responsibility of the Independent Directors.

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of Evolve in each specific case, except for the purposes of the Offer. Our opinion and advice are governed by, and construed in accordance with, the laws of Singapore and are strictly limited to the matters stated herein and do not apply by implication to any other matter.

Yours truly,
For and on behalf of
Evolve Capital Advisory Private Limited



Name: **Jerry Chua**
Title: **CEO and Managing Partner**

ADDITIONAL INFORMATION ON THE COMPANY

1. DIRECTORS

The names, addresses and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr Thomas Sean Murphy	c/o 29 Tai Seng Avenue, #02-01, Natural Cool Lifestyle Hub, Singapore 534119	Executive Chairman and Global Chief Executive Officer
Mr Ng Loh Ken Peter	c/o 29 Tai Seng Avenue, #02-01, Natural Cool Lifestyle Hub, Singapore 534119	Lead Independent Director
Dr Lim Puay Koon	c/o 29 Tai Seng Avenue, #02-01, Natural Cool Lifestyle Hub, Singapore 534119	Independent Director
Mr Wong Quee Quee, Jeffrey	c/o 29 Tai Seng Avenue, #02-01, Natural Cool Lifestyle Hub, Singapore 534119	Independent Director
Mr Lim Swee Yong	c/o 29 Tai Seng Avenue, #02-01, Natural Cool Lifestyle Hub, Singapore 534119	Non-Independent, Non-Executive Director
Mr Loke Wai San	c/o 29 Tai Seng Avenue, #02-01, Natural Cool Lifestyle Hub, Singapore 534119	Non-Independent, Non-Executive Director
Mr Toh Hsiang-Wen Keith	c/o 29 Tai Seng Avenue, #02-01, Natural Cool Lifestyle Hub, Singapore 534119	Alternative director to Mr Loke Wai San

2. PRINCIPAL ACTIVITIES

The Company is a global independent provider of third party maintenance services, IT asset disposition and data centre services, and hardware distribution and resale. The Company aims to be a global aggregator of enterprise services and hardware to its customers by offering a channel that combines the technology, finance and logistics domains. The Company was listed on the Mainboard of the SGX-ST on 20 July 2016.

3. SHARES IN ISSUE

3.1 Issued Shares

As at the Latest Practicable Date, there is only one class of shares in the Company, comprising the Shares.

As at the Latest Practicable Date, the Company has 295,589,973 issued and paid-up Shares.

3.2 Rights of the Shareholders in Respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are set out in the Constitution. The relevant provisions of the Constitution relating to the same have been extracted and reproduced in Appendix E to this Circular.

3.3 Number of Shares Issued Since the End of the Last Financial Year

Since 31 December 2021, being the end of the last financial year of the Company, up to the Latest Practicable Date:

3.3.1 1,196,600 Shares were allotted and issued pursuant to the Procurri PSP on 18 January 2022; and

3.3.2 155,400 Shares were allotted and issued pursuant to the Procurri PSP on 9 March 2022.

4. THE COMPANY'S CONVERTIBLE SECURITIES

As at the Latest Practicable Date, the Company has outstanding awards in respect of 1,614,200 Shares granted under the Procurri PSP. Pursuant to 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 per cent. of the Company's total number of issued Shares (excluding treasury shares) from time to time.

Save as disclosed above, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares or securities which carry voting rights in the Company, as at the Latest Practicable Date.

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in Offeror Shares, Offeror Securities and Offeror Convertible Securities

Neither the Company nor its subsidiaries have any direct or indirect interests in Offeror Shares, Offeror Securities and Offeror Convertible Securities as at the Latest Practicable Date.

5.2 Dealings in Offeror Shares, Offeror Securities and Offeror Convertible Securities by the Company

Neither the Company nor its subsidiaries have dealt in Offeror Shares, Offeror Securities and Offeror Convertible Securities during the period commencing six months prior to 20 May 2022, being the Offer Announcement Date, and ending on the Latest Practicable Date.

5.3 Interests of Directors in Offeror Shares, Offeror Securities and Offeror Convertible Securities

None of the Directors has any direct or indirect interests in Offeror Shares, Offeror Securities and Offeror Convertible Securities as at the Latest Practicable Date.

5.4 Dealings in Offeror Shares, Offeror Securities and Offeror Convertible Securities by Directors

None of the Directors has dealt in Offeror Shares, Offeror Securities and Offeror Convertible Securities during the period commencing six months prior to 20 May 2022, being the Offer Announcement Date, and ending on the Latest Practicable Date.

5.5 Interests of Directors in Company Securities and Company Convertible Securities

Save as disclosed below, none of the Directors has an interest, direct or indirect, in Company Securities and Company Convertible Securities.

Name	Direct		Deemed		Outstanding share awards granted pursuant to the Procurri PSP
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	
Mr Thomas Sean Murphy	–	–	–	–	617,800 ⁽³⁾
Mr Ng Loh Ken Peter	336,500	0.11	–	–	–
Mr Wong Quee Quee, Jeffrey	309,700	0.10	–	–	–
Dr Lim Puay Koon	55,700	0.02	–	–	–
Mr Loke Wai San	–	–	– ⁽²⁾	–	–
Mr Toh Hsiang-Wen Keith	–	–	– ⁽²⁾	–	–
Mr Lim Swee Yong	110,100	0.04	–	–	–

Notes:

- (1) Percentage interest is rounded to two decimal places, and based on an issued and paid-up capital of 295,589,973 Shares as at the Latest Practicable Date.
- (2) Pursuant to the substantial shareholder notification submitted by NTCP SPV VII to the Company on 8 June 2022, the Company has been informed that NTCP SPV VII had tendered all 57,402,978 Shares it holds in acceptance of the Offer. NTCP SPV VII is wholly owned by Novo Tellus PE Fund 2, L.P. (“**NT Fund 2**”) and each of Mr Loke Wai San and Mr Toh Hsiang-Wen Keith owns more than 20 per cent. of the interests in New Earth Group 2 Ltd, the general partner (manager) of NT Fund 2.
- (3) The share awards granted to Mr Thomas Sean Murphy pursuant to the Procurri PSP is in respect of 617,800 Shares.

5.6 Dealings in Company Securities and Company Convertible Securities by Directors

Save as disclosed below, none of the Directors has dealt in the Company Securities and the Company Convertible Securities during the period commencing six months prior to 20 May 2022, being the Offer Announcement Date, and ending on the Latest Practicable Date.

Name	Date	No. of Shares Dealt	Transaction Price Per Share (\$)	Nature of Transaction
Mr Thomas Sean Murphy	18 January 2022	367,400	–	Vesting of share awards pursuant to the Procurri PSP
Mr Ng Loh Ken Peter	18 January 2022	31,300	–	Vesting of share awards pursuant to the Procurri PSP
Dr Lim Puay Koon	18 January 2022	31,300	–	Vesting of share awards pursuant to the Procurri PSP
Mr Wong Quee Quee, Jeffrey	18 January 2022	31,300	–	Vesting of share awards pursuant to the Procurri PSP
Mr Thomas Sean Murphy	9 March 2022	155,400	–	Vesting of share awards pursuant to the Procurri PSP
Mr Thomas Sean Murphy	20 May 2022	11,041,011	0.425	Off-market disposal

5.7 Interests of the IFA in Company Securities and Company Convertible Securities

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, own or control any Company Securities and Company Convertible Securities as at the Latest Practicable Date.

5.8 Dealings in Company Securities and Company Convertible Securities by the IFA

None of the IFA, its related corporations or funds whose investments are managed by the IFA or its related corporations on a discretionary basis, has dealt for value in the Company Securities and Company Convertible Securities during the period commencing six months prior to 20 May 2022, being the Offer Announcement Date, and ending on the Latest Practicable Date.

5.9 Directors' Intentions

In respect of the Directors who have a beneficial interest in Shares:

- 5.9.1 Mr Ng Loh Ken Peter and Dr Lim Puay Koon intend to retain the Shares held by them; and
- 5.9.2 Mr Wong Quee Quee, Jeffrey and Mr Lim Swee Yong intend to accept the Offer in respect of the Shares held by them.

6. ARRANGEMENTS AFFECTING DIRECTORS

6.1 Directors' Service Contracts

Mr Thomas Sean Murphy entered into a service agreement with the Company on 2 February 2021 for an initial term of three (3) years commencing from 1 January 2021 to 31 December 2023. At the end of the initial term, the service agreement will be automatically renewed for a further period of three (3) years unless terminated in accordance with the terms of the service agreement. Pursuant to this service agreement, Mr Thomas Sean Murphy is entitled to an annual basic salary of S\$704,000 and other benefits including a fixed monthly mobile allowance of US\$75 and a fixed monthly transport allowance of US\$740. In addition, Mr Thomas Sean Murphy is eligible to a short-term incentive (“**STI**”) payable in cash, which is conditional upon the achievement of certain Group Profit Before Tax and/or Objectives & Key Results targets for the FY determined by the Company’s Remuneration Committee, and a long-term incentive (“**LTI**”) payable in Shares to be cliff vested one-third annually over three (3) calendar years. The amounts of the STI and LTI for FY2021 are up to S\$289,000 and S\$294,000 respectively, while the amounts of STI and LTI for subsequent FYs will be determined by the Company’s Remuneration Committee. Mr Thomas Sean Murphy is also entitled to severance payments, which are only payable for loss of office under certain specific circumstances, of an amount which is the lower of: (i) S\$750,000; (ii) the total emoluments paid to him for the year immediately preceding such loss of office as prescribed under Section 168(1A) of the Companies Act; or (iii) such maximum amount as may be prescribed by applicable laws or regulations to be legally payable to him without breach of applicable laws or regulations.

Save as disclosed above, as at the Latest Practicable Date, there are no service contracts between any Director or proposed Director with the Company or any of the Company’s subsidiaries with more than 12 months to run and which cannot be terminated by the Company within the next 12 months without paying any compensation, and there are no service contracts entered into or amended between any Director or proposed Director with the Company during the period between the start of six months prior to 20 May 2022, being the Offer Announcement Date, and the Latest Practicable Date.

6.2 No Payment or Benefit to Directors

Save as disclosed in paragraph 6.1 of this Appendix B, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any Director or to any director of any other corporation which is, by virtue of Section 6 of the Companies Act, deemed to be related to the Company as compensation for loss of office or otherwise in connection with the Offer as at the Latest Practicable Date.

6.3 No Agreement Conditional upon Outcome of the Offer

There are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer as at the Latest Practicable Date.

6.4 Material Contracts Entered into by the Offeror

There are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect, as at the Latest Practicable Date.

7. FINANCIAL INFORMATION ON THE GROUP

7.1 Consolidated Statement of Total Return

Set out below is certain financial information extracted from the audited consolidated financial statements of the Group for FY2019, FY2020 and FY2021 respectively.

The financial information for FY2019, FY2020 and FY2021 should be read in conjunction with the audited consolidated financial statements of the Group and the accompanying notes as set out in the Annual Reports for FY2019, FY2020 and FY2021 respectively.

The audited consolidated financial statements for the Group for FY2021 are set out in Appendix D to this Circular.

	Audited FY2021 S\$'000	Audited FY2020 S\$'000	Audited FY2019 S\$'000
Revenue	249,628	233,467	221,289
Exceptional Items	–	–	–
Net profit before tax	3,856	4,031	4,737
Net profit after tax	4,446	2,696	3,775
Minority interests	–	–	–
Net earnings per Share (cents)	1.51	0.92	1.33
Net dividends per Share (cents)	–	–	–

7.2 Statements of Assets and Liabilities of Group as at 31 December 2021

The audited consolidated balance sheet of the Group as at 31 December 2021, being the latest published audited consolidated balance sheet of the Group prior to the Latest Practicable Date is set out below.

The audited consolidated balance sheet of the Group as at 31 December 2021 should be read in conjunction with the audited consolidated financial statements of the Group for FY2021 and the accompanying notes as set out in the Annual Report for FY2021.

	Group Audited as at 31 December 2021 S\$'000
Non-current assets	
Plant and equipment	2,260
Rights-of-use assets	4,409
Intangible assets	12,528
Finance lease receivables	50
Deferred tax assets	5,261
Total non-current assets	24,508
Current assets	
Inventories	20,928
Trade and other receivables	51,412
Prepayments	8,971
Finance lease receivables	528
Cash and cash equivalents	29,597
Total current assets	111,436
Total assets	135,944
Current liabilities	
Trade and other payables	36,318
Deferred income	20,561
Loans and borrowings	12,082
Lease liabilities	1,531
Income tax payable	1,854
Total current liabilities	72,346
Non-current liabilities	
Deferred tax liabilities	38
Lease liabilities	3,896
Provisions	978
Deferred income	1,301
Total non-current liabilities	6,213
Total liabilities	78,559
Net assets	57,385
Equity	
Share capital	74,695
Retained earnings	29,084
Other reserves	(46,394)
Total equity	57,385

Copies of the Annual Reports for FY2019, FY2020 and FY2021 are available for inspection at the office of the Company at 29 Tai Seng Avenue, #01-01, Natural Cool Lifestyle Hub, Singapore 534119, during normal business hours for the period which the Offer remains open for acceptance.

8. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in any other information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGX-ST), there have been no material changes in the financial position of the Company since 31 December 2021, being the date of the last audited accounts of the Company laid before the Shareholders in general meeting.

9. ACCOUNTING POLICIES

The significant accounting policies of the Group which are disclosed in Note 2 of the audited consolidated financial statements of the Group for FY2021 are reproduced in Appendix D to this Circular.

There are no changes in the accounting policy of the Group which will cause the figures disclosed in paragraph 7 of this Appendix B to not be comparable to a material extent.

10. MATERIAL CONTRACTS

Neither the Company nor any of the Company's subsidiaries have entered into any material contracts with interested persons (other than those entered into in the ordinary course of business) during the period beginning three years before 20 May 2022, being the Offer Announcement Date and ending on the Latest Practicable Date.

11. MATERIAL LITIGATION

11.1 Joint Action by Way of Complaint Filed by Rockland Congruity and PLLC

On 15 October 2021, two wholly-owned subsidiaries of the Company, Rockland Congruity LLC ("**Rockland Congruity**") and Procurri LLC ("**PLLC**") (collectively, the "**Plaintiffs**"), commenced the filing of a joint action by way of complaint against Brian Davidson, Sean Brady, Congruity, LLC ("**Congruity**") and Congruity 360, LLC ("**C360**") (collectively, the "**Defendants**"), in the Court of Chancery of the State of Delaware, the United States (the "**Complaint**").

On 18 November 2021, the Plaintiffs added Park Place Technologies LLC ("**Park Place**") as an additional defendant to the Complaint by filing an amended complaint in the Court of Chancery of the State of Delaware ("**Amended Complaint**").

The Complaint arises from C360's improper sale of its third party information technology maintenance business to a competitor of the Company in violation of a restrictive covenants agreement (the "**RCA**"). The RCA only allows C360 to sell third party maintenance services through Rockland Congruity during the restricted time period, and it does not allow C360 to authorise a third party to provide such services to customers who purchased third party maintenance services from C360. Additionally, in connection with the sale, the Defendants breached their obligation to not disclose confidential information and trade secrets related to Rockland Congruity's business pursuant to multiple contracts. C360 has also failed to pay over US\$1,494,213.80 which is currently due to Rockland Congruity.

In light of the foregoing, and as set out in the Complaint and Amended Complaint, Rockland Congruity and PLLC have demanded, among others:

- (a) compensatory damages to be awarded against the Defendants in an amount to be determined at trial, but in no event less than US\$17,000,000;
- (b) compensatory damages against C360 for the amount due to Rockland Congruity for unpaid invoices – US\$1,494,213.80 plus interest;
- (c) punitive damages against the Defendants for their egregious and wilful breaches of contract in an amount to be determined at trial;
- (d) a permanent injunction against the Defendants that prohibits them from violating the covenants provision in the RCA during the restricted time period, and that prohibits them from sharing any of Rockland Congruity's confidential information and trade secrets;
- (e) a permanent injunction against the Defendants that prohibits them, during the restricted time period, from authorising or allowing a third party to perform any third-party maintenance services for any customer who purchased such services from C360;
- (f) all costs and expenses of litigation, including attorneys' fees, to be awarded against the Defendants;
- (g) an injunction against Park Place; and
- (h) damages from Park Place of not less than US\$17,000,000 for tortiously interfering with the RCA and not less than US\$1,000,000 for tortiously interfering with multiple Rockland Congruity's employee contracts.

The Company has engaged legal counsel to represent the Plaintiffs in this case and is working with legal counsel to monitor the progress of this case. The Directors will continue to take all necessary actions in the best interests of the Shareholders and the Group and will update the Shareholders by making further announcements as and when material developments occur in this regard.

11.2 No Other Material Litigation

As at the Latest Practicable Date, save as disclosed in paragraph 11.1 of this Appendix B above and in any information which is publicly available (including without limitation, the announcements released by the Company on the website of the SGX-ST):

- (a) neither the Company nor any of the Company's subsidiaries are engaged in any material litigation or arbitration proceedings as plaintiff or defendant, which might materially and adversely affect the financial position of the Group as a whole; and
- (b) the Directors are not aware of any litigation, claim, arbitration or other proceedings pending or threatened against the Company or any of the Company's subsidiaries or of any facts likely to give rise to any such proceedings which might materially or adversely affect the financial position of the Group taken as a whole.

12. GENERAL

12.1 Costs and Expenses

All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

12.2 Transfer Restrictions

There is no restriction in the Constitution on the right to transfer any Shares, which has the effect of requiring holders of the Offer Shares, before transferring them, to offer them for purchase to Shareholders or to any other person.

12.3 Consent of the IFA

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and the IFA Letter set out in Appendix A of this Circular, and all references to its name in the form and context in which they appear in this Circular.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at 29 Tai Seng Avenue, #01-01, Natural Cool Lifestyle Hub, Singapore 534119, during normal business hours for the period which the Offer remains open for acceptance:

- (a) the Constitution;
- (b) the Annual Reports for FY2019, FY2020 and FY2021;
- (c) the IFA Letter; and
- (d) the letter of consent referred to in paragraph 12.3 above.

INFORMATION ON THE OFFEROR

1. THE OFFEROR

The following information on the Offeror has been extracted from Appendix I to the Offer Document. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

“1. DIRECTORS OF THE OFFEROR

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Description
Fumitoshi Imaizumi	c/o 2 Tanjong Katong Road, #05-01 PLQ3, Singapore 437161	Director
Wong Kok Khun	c/o 2 Tanjong Katong Road, #05-01 PLQ3, Singapore 437161	Director and Group Chief Executive Officer
Yuichi Koyama	c/o 2 Tanjong Katong Road, #05-01 PLQ3, Singapore 437161	Director

2. REGISTERED OFFICE OF THE OFFEROR

The registered office of the Offeror is at 2 Tanjong Katong Road, #05-01 PLQ3, Singapore 437161.

3. PRINCIPAL ACTIVITIES OF THE OFFEROR

The principal activities of the Offeror are that of investment holding, strategic management and corporate shared services.

4. SUMMARY OF FINANCIAL INFORMATION

*A summary of the financial information relating to the Offeror for FY2019, FY2020 and FY2021 is set out below. The summary financial information should be read together with the audited consolidated financial statements of the Offeror for FY2019, FY2020 and FY2021 (copies of which are available for inspection as set out in paragraph 4 of **APPENDIX IV** to this Offer Document).*

Consolidated Income Statements of the Offeror

A summary of the consolidated income statements of the Offeror for FY2019, FY2020 and FY2021 is set out below:

	Financial year ended 31 December		
	(Audited)		
	FY2019	FY2020	FY2021
	S\$'000	S\$'000	S\$'000
Revenue	78,739	107,715	239,269
Exceptional Items	–	–	–
Net Profit/(loss) before tax	(3,985)	(13,138)	(11,117)
Net profit/(loss) after tax	(4,202)	(13,396)	(12,188)
Minority interests	(3,031)	(4,694)	(6,993)
Net earnings/(loss) per share (Singapore Cents)	(0.2)	(1.3)	(0.7)
Net dividends per share	–	–	–

Consolidated Balance Sheet of the Offeror

The audited consolidated balance sheet of the Offeror as at 31 December 2021 is summarised below:

	Audited as at
	31 December
	2021
	S\$'000⁽¹⁾
Current assets	199,289
Non-current assets	173,012
Total assets	372,301
Current liabilities	127,491
Non-current liabilities	127,793
Total liabilities	255,284
NET ASSETS	117,017
Share capital	176,121
Reserves	(53,496)
Non-controlling interests	(5,608)
TOTAL EQUITY	117,017

Note:

(1) Rounded to the nearest whole number.

5. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, save for (a) intercompany loans extended by EXEO Group to the Offeror; (b) the making and financing of the Offer and (c) any publicly available information on the Offeror, there has been no known material changes in the financial position of the Offeror subsequent to 31 December 2021, being the date of its last published accounts.

6. SIGNIFICANT ACCOUNTING POLICIES

*The significant accounting policies of the Offeror are disclosed in Note 2 of the audited financial statements of the Offeror for FY2021, a copy of which is available for inspection as set out in paragraph 4 of **APPENDIX IV** to this Offer Document.”*

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE GROUP FOR FY2021**

The audited consolidated financial statements for the Group for FY2021 set out below have been reproduced from the Company's Annual Report for FY2021.

Company Registration No. 201306969W

**Procurri Corporation Limited
and its Subsidiaries**

Annual Financial Statements
31 December 2021



Procurri Corporation Limited and its Subsidiaries

General Information

Directors

Thomas Sean Murphy
Ng Loh Ken Peter
Wong Quee Quee, Jeffrey
Loke Wai San
Lim Puay Koon
Lim Swee Yong
Toh Hsiang – Wen Keith (Alternative Director to Loke Wai San)

Company Secretary

Lin Moi Heyang

Registered Office

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

Share Registrar

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner in charge: Tee Huey Yenn
(Date of appointment: since financial year ended 31 December 2021)

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Procurri Corporation Limited and its Subsidiaries

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 2021.

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 2021 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
Loke Wai San
Lim Puay Koon
Lim Swee Yong (Appointed on 9 November 2021)
Toh Hsiang – Wen Keith (Appointed on 1 June 2021) (Alternative Director to 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.

Procurri Corporation Limited and its Subsidiaries

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 1967 ("the Act"), an interest in shares and share options of the Company and related corporations as stated below:

Name of directors	Direct interest			Deemed interest		
	At beginning of the financial year or date of appointment	At end of the financial year	At end of 21 January 2022	At beginning of the financial year or date of appointment	At end of the financial year	At end of 21 January 2022
The Company						
<i>Ordinary shares</i>						
Thomas Sean Murphy	10,357,911	10,518,211	10,885,611	–	–	–
Ng Loh Ken Peter	272,600	305,200	336,500	–	–	–
Wong Quee Quee, Jeffrey	245,800	278,400	309,700	–	–	–
Lim Puay Koon	–	24,400	55,700	–	–	–
Loke Wai San	–	–	–	57,402,978	57,402,978	57,402,978
Lim Swee Yong	110,100	110,100	110,100	–	–	–
Share awards granted under Procurri Performance Share Plan						
Thomas Sean Murphy	374,200	213,900	307,000	–	–	–

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 date of appointment if later, or at the end of the financial year.

Share options and awards

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

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

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

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

Procurri Corporation Limited and its Subsidiaries

Directors' statement

Share options and awards (cont'd)

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 summarizes 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
2020	669,800	1,540,500	1,131,600	–	1,078,700
2021	1,078,700	89,600	551,400	–	616,900

The Company has granted 1,540,500 shares on 12 May 2020 and 89,600 shares on 18 February 2021 under the Procurri PSP. A total of 551,400 number of shares have been vested in the financial year ended 31 December 2021.

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
<u>Directors</u>					
Thomas Sean Murphy	1,790,500	160,300	1,576,600	–	213,900
Ng Loh Ken Peter	305,200	32,600	305,200	–	–
Wong Quee Quee, Jeffrey	278,400	32,600	278,400	–	–
Lim Puay Koon	24,400	24,400	24,400	–	–

Procurri Corporation Limited and its Subsidiaries

Directors' statement

Share options and awards (cont'd)

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:

- Lim Puay Koon (Chairman of the RC and independent and non-executive director)
- Wong Quee Quee, Jeffrey (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 2021 and 2020.

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)
- Lim Puay Koon (Independent and non-executive director)
- Loke Wai San (Non-independent and non-executive director)
- Lim Swee Yong (Non-independent and non-executive director)

Procurri Corporation Limited and its Subsidiaries

Directors' statement

Audit Committee (cont'd)

The AC carried out its functions in accordance with the Companies Act 1967, 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 semi-annual 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

Thomas Sean Murphy
Director

Peter Ng Loh Ken

Ng Loh Ken Peter
Director

7 April 2022

Procurri Corporation Limited and its Subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2021**

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 2021, 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 1967 (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 2021 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 the 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.

Procurri Corporation Limited and its Subsidiaries

Independent auditor's report For the financial year ended 31 December 2021

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

Key Audit Matters (cont'd)

Revenue Recognition

The Group recognized revenue from sale of goods of \$178,797,000 during the financial year. We identified the appropriateness of the timing of revenue recognition from sale of goods to be an area of audit focus due to its significance.

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 and reviewed credit notes issued to customers after year end to ascertain whether revenue is recorded in the correct period. We performed gross margins and trend analysis and compared them against prior year actual results and used data analytic procedures to analyze relationships between revenue, trade receivables and cash to identify any unusual trends. Lastly, we considered the adequacy of the disclosures in respect of revenue in Note 4 to the financial statements.

Impairment Assessment of Goodwill and Cost of Investment in Subsidiaries

As at 31 December 2021, the net carrying value of the goodwill is \$11,911,000, which represents 49% of the total non-current assets and 21% of total equity. As disclosed in Note 15 to the financial statements, goodwill is allocated to two cash generating units ("CGUs"), Procurri Europe Limited ("PEL") and Procurri Malaysia Sdn Bhd ("PMY").

The net carrying value of the Company's cost of investment in subsidiaries amounted to \$44,367,000 as at 31 December 2021.

Management conducts impairment assessment of goodwill and cost of investment in subsidiaries by preparing value-in-use computations using discounted cash flow models to determine the recoverable amount of each CGU. In determining the value in use, management is required to apply judgements and make assumptions on estimates supporting underlying projected cash flows, taking into account current market conditions which has been impacted by the COVID-19 pandemic. We considered the audit of management's annual impairment test of goodwill and cost of investment in subsidiaries to be a key audit matter because the assessment process is complex and involved significant management judgement.

We assessed the method and evaluated the reasonableness of the key assumptions used by management in the impairment test to estimate the recoverable amount, 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 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, including the impact of COVID-19 pandemic. We evaluated the terminal growth rates by comparing 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 checking to comparable companies in the same industry. 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 in Note 14 and 15 to the financial statements.

Procurri Corporation Limited and its Subsidiaries

Independent auditor's report For the financial year ended 31 December 2021

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

Key Audit Matters (cont'd)

Impairment Assessment of Trade Receivables

The Group's trade receivable balances were significant as they represent 42% 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 \$48,601,000 and \$1,689,000 respectively as at 31 December 2021. 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 and estimation uncertainty, including the impact COVID-19 may have on the debtors' businesses. As such, we determined this as a key audit matter.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. We assessed the Group's processes and controls relating to the monitoring of trade receivables and considered the age of the debts 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 credit worthiness 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, including the current business environment. 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 30.

Inventories Write-down

The Group's net inventories amounted to \$20,928,000 as at 31 December 2021 and the allowance to write-down to net realizable value ("NRV") amounted to \$9,951,000 during the financial year. 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 based on their market value. As such, we determined this to be 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 performed physical observations and stock counts on sampling basis to ascertain existence of inventories. We also assessed the adequacy of the disclosures related to inventories in Note 17 to the financial statements.

Procurri Corporation Limited and its Subsidiaries

Independent auditor's report For the financial year ended 31 December 2021

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

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized 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.

Procurri Corporation Limited and its Subsidiaries

**Independent auditor's report
For the financial year ended 31 December 2021**

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

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

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.
- 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.

Procurri Corporation Limited and its Subsidiaries

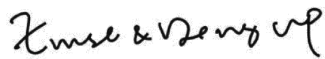
**Independent auditor's report
For the financial year ended 31 December 2021**

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

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 Tee Huey Yenn.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
7 April 2022

Procurri Corporation Limited and its Subsidiaries**Consolidated statement of comprehensive income
For the financial year ended 31 December 2021**

	Note	Group 2021 \$'000	Group 2020 \$'000
Revenue	4	249,628	233,467
Cost of sales		(189,130)	(168,722)
Gross profit		60,498	64,745
Other items of income			
Other income	5	2,846	6,103
Other credits	8	1,060	188
Other items of expense			
Selling expenses		(27,050)	(20,970)
Administrative expenses		(32,452)	(43,032)
Finance costs	7	(639)	(1,108)
Other charges	8	(407)	(1,895)
Profit before tax	9	3,856	4,031
Income tax credit/(expense)	10	590	(1,335)
Profit for the year		4,446	2,696
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		352	271
Other comprehensive income for the year		352	271
Total comprehensive income for the year		4,798	2,967
Profit for the year attributable to:			
Owners of the Company		4,446	2,696
Total comprehensive income attributable to:			
Owners of the Company		4,798	2,967
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	1.51	0.92
Diluted	11	1.51	0.92

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

Procurri Corporation Limited and its Subsidiaries

**Balance sheets
As at 31 December 2021**

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
ASSETS					
Non-current assets					
Plant and equipment	12	2,260	2,957	–	8
Right-of-use assets	13	4,409	7,004	90	306
Investment in subsidiaries	14	–	–	44,367	44,323
Intangible assets	15	12,528	12,528	–	–
Finance lease receivables	16	50	210	–	–
Deferred tax assets	10	5,261	4,233	–	325
		24,508	26,932	44,457	44,962
Current assets					
Inventories	17	20,928	26,035	–	–
Trade and other receivables	18	51,412	34,564	27,238	27,815
Prepayments	19	8,971	9,186	17	17
Finance lease receivables	16	528	299	–	–
Cash and bank balances	20	29,597	32,700	4,162	4,753
		111,436	102,784	31,417	32,585
Total assets		135,944	129,716	75,874	77,547
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	21	36,318	27,206	2,120	2,360
Deferred income	22	20,561	16,197	–	–
Loans and borrowings	23	12,082	16,232	–	1,322
Lease liabilities	13	1,531	2,876	93	220
Income tax payable		1,854	1,154	1,313	1,195
		72,346	63,665	3,526	5,097
Net current assets		39,090	39,119	27,891	27,488
Non-current liabilities					
Deferred tax liabilities	10	38	67	38	–
Loans and borrowings	23	–	4,796	–	–
Lease liabilities	13	3,896	5,191	–	93
Provisions	24	978	815	65	65
Deferred income	4	1,301	2,679	–	–
		6,213	13,548	103	158
Total liabilities		78,559	77,213	3,629	5,255
Net assets		57,385	52,503	72,245	72,292

Procurri Corporation Limited and its Subsidiaries

**Balance sheets (cont'd)
As at 31 December 2021**

	Note	Group		Company	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Equity attributable to owners of the Company					
Share capital	25	74,695	74,541	74,695	74,541
Retained earnings/ (accumulated losses)		29,084	24,638	(2,576)	(2,445)
Other reserves	26	(46,394)	(46,676)	126	196
		57,385	52,503	72,245	72,292
Non-controlling interests*		–	–	–	–
Total equity		57,385	52,503	72,245	72,292
Total equity and liabilities		135,944	129,716	75,874	77,547

* Less than \$1,000

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

Procurri Corporation Limited and its Subsidiaries

**Statements of changes in equity
For the financial year ended 31 December 2021**

Group	Share capital (Note 25) \$'000	Retained earnings \$'000	Other reserves (Note 26) \$'000	Equity attributable to owners of the Company \$'000	Total equity \$'000
Opening balance at 1 January 2021	74,541	24,638	(46,676)	52,503	52,503
Total comprehensive income for the financial year	–	4,446	352	4,798	4,798
<u>Contributions by and distributions to owners</u>					
Issuance of new shares pursuant to performance shares plan	154	–	(154)	–	–
Share-based payment	–	–	84	84	84
	154	–	(70)	84	84
Closing balance at 31 December 2021	74,695	29,084	(46,394)	57,385	57,385
Opening balance at 1 January 2020	71,703	21,942	(46,945)	46,700	46,700
Total comprehensive income for the financial year	–	2,696	271	2,967	2,967
<u>Contributions by and distributions to owners</u>					
Issuance of new shares pursuant to performance shares plan	324	–	(324)	–	–
Shares issued for acquisition of non- controlling interest	2,544	–	–	2,544	2,544
Share issuance expense	(30)	–	–	(30)	(30)
Share-based payment	–	–	322	322	322
	2,838	–	(2)	2,836	2,836
Closing balance at 31 December 2020	74,541	24,638	(46,676)	52,503	52,503

Procurri Corporation Limited and its Subsidiaries**Statements of changes in equity (cont'd)
For the financial year ended 31 December 2021**

Company	Share capital (Note 25) \$'000	Accumulated losses \$'000	Other reserves (Note 26) \$'000	Total equity \$'000
Opening balance at 1 January 2021	74,541	(2,445)	196	72,292
Total comprehensive income for the year	–	(131)	–	(131)
<u>Contributions by and distributions to owners</u>				
Issuance of new shares pursuant to performance shares plan	154	–	(154)	–
Share-based payment	–	–	84	84
Closing balance at 31 December 2021	74,695	(2,576)	126	72,245
Opening balance at 1 January 2020	71,703	(1,184)	196	70,715
Total comprehensive income for the year	–	(1,261)	2	(1,259)
<u>Contributions by and distributions to owners</u>				
Issuance of new shares pursuant to performance shares plan	324	–	(324)	–
Shares issued for acquisition of non-controlling interest	2,544	–	–	2,544
Share issuance expense	(30)	–	–	(30)
Share-based payment	–	–	322	322
Closing balance at 31 December 2020	74,541	(2,445)	196	72,292

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

Procurri Corporation Limited and its Subsidiaries

**Consolidated cash flow statement
For the financial year ended 31 December 2021**

	Note	Group	
		2021 \$'000	2020 \$'000
Cash flows from operating activities			
Profit before tax		3,856	4,031
Adjustments for:			
Depreciation of plant and equipment	12	1,180	3,862
Depreciation of right-of-use assets	13	2,928	2,837
Write-off of plant and equipment	12	52	–
Amortisation of intangible assets	15	272	799
Share-based payment	27	84	322
Fair value adjustment on financial liability	8	–	(188)
Impairment loss on goodwill	8	–	350
Interest income	5	(12)	(67)
Finance costs	7	639	1,108
Inventories written down	17	9,951	7,355
Impairment loss on trade and other receivables	8	355	662
Provisions	24	156	123
Exchange differences		7	350
		<hr/>	<hr/>
Operating cash flows before changes in working capital		19,468	21,544
(Increase)/decrease in inventories		(4,911)	543
(Increase)/decrease in trade and other receivables		(16,722)	16,211
(Increase)/decrease in finance lease receivables		(70)	856
Decrease in prepayment		215	4,189
Increase/(decrease) in deferred income		2,986	(8,331)
Increase/(decrease) in trade and other payables		9,111	(5,603)
		<hr/>	<hr/>
Net cash generated from operations		10,077	29,409
Income taxes paid		(637)	(1,930)
		<hr/>	<hr/>
Net cash generated from operating activities		9,440	27,479
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of plant and equipment		(434)	(1,381)
Proceeds from maturity of fixed deposits		1,321	4,042
Interest received		12	67
		<hr/>	<hr/>
Net cash generated from investing activities		899	2,728
		<hr/>	<hr/>

Procurri Corporation Limited and its Subsidiaries**Consolidated cash flow Statement (cont'd)
For the financial year ended 31 December 2021**

	Note	Group 2021 \$'000	Group 2020 \$'000
Cash flows from financing activities			
Share issuance expense		–	(30)
Proceeds from loans and borrowings		148,083	154,520
Repayments of loans and borrowings		(157,327)	(150,092)
Payment of principal portion of lease liabilities		(2,770)	(2,611)
Acquisition of non-controlling interest		–	(11,182)
Interest paid		(639)	(1,108)
		<hr/>	<hr/>
Net cash used in financing activities		(12,653)	(10,503)
		<hr/>	<hr/>
Net (decrease)/ increase in cash and cash equivalents		(2,314)	19,704
Effect of exchange rate changes on cash and cash equivalents		532	(73)
Cash and cash equivalents at beginning of the financial year		31,254	11,623
		<hr/>	<hr/>
Cash and cash equivalents at end of the financial year (Note 20)		29,472	31,254
		<hr/> <hr/>	<hr/> <hr/>

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

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

1. Corporate information

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

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

The principal activities of the Company are those of wholesale of computer hardware and peripheral equipment and investment holding. The principal activities of the subsidiaries are disclosed in Note 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 are rounded to the nearest thousand (\$'000), unless 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 amended standards which are relevant to the Group and are effective for annual periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

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 SFRS(I) 1-16 <i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37 <i>Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 3 <i>Business Combinations</i> : Reference to the Conceptual Framework	1 January 2022
Amendments to FRS 1 <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to SFRS(I) 1-8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 1-12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to SFRS(I) 10 <i>Consolidated Financial Statements</i> and SFRS(I) 1-28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

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.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(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 recognized 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 recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognized in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognized 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 recognized 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 has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating units may be impaired. Impairment for goodwill is determined 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.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.7 Plant and equipment (cont'd)

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 amortization 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 on a straight-line basis 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 amortized. 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.

Amortization 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 recognized in profit or loss when the asset is derecognized.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

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 relating to goodwill cannot be 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 balance sheet, investment 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.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.11 *Financial instruments (cont'd)*

(a) **Financial assets (cont'd)**

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.

Derecognition

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

(b) **Financial liabilities**

Initial recognition and measurement

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

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

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.11 *Financial instruments (cont'd)*

(b) Financial liabilities (cont'd)

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 which could affect debtors' ability to pay.

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.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.13 Cash and cash equivalents

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

2.14 Inventories

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

- Computer equipments and peripherals: purchase costs on a first-in first-out basis.

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

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

2.15 Provisions

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

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

2.16 Government grants

Government grants are recognized as a receivable when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grants are recognized as income in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss under "Other income".

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.17 *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.

2.18 *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.

2.19 *Leases*

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.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.19 Leases (cont'd)

(a) As lessee (cont'd)

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 Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. 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.

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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.19 Leases (cont'd)

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

2.20 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 recognized 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 recognized is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

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

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

The amount of revenue recognized 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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.20 Revenue recognition (cont'd)

(b) Rendering of services

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

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

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

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

(c) Equipment rental and leasing income

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

(d) Cost to obtain a contract

The Group pays sales commission to its employees for each contract that they obtain for sale of goods, rendering of services and for equipment rental and leasing. The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense and included as part of selling expenses.

(e) Deferred income

Deferred income is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Deferred income is recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.20 Revenue recognition (cont'd)

(f) 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.

2.21 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investment 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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

2. Summary of significant accounting policies (cont'd)

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

(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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheets.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

2. Summary of significant accounting policies (cont'd)

2.22 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.

2.23 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 Group;
- (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 Group.

Contingent liabilities and assets are not recognised on the balance sheets of the Group, 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 require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

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

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

3. Significant accounting judgements and estimates (cont'd)

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 the lower of cost and NRV as at 31 December 2021 was \$20,928,000 (2020: \$26,035,000) and the related allowance for write down was \$9,951,000 (2020: \$7,355,000) during the financial year.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment assessment of goodwill and cost of investment in subsidiaries

The Group's goodwill and the Company's cost of investment in subsidiaries are subjected to impairment assessment for the financial year ended 31 December 2021. Management assesses goodwill impairment annually. For cost of investment in subsidiaries, management performs an assessment to ascertain whether indicators of impairment are present. For impairment assessment, management uses a discounted cash flow model which involves significant judgement in estimating the recoverable values of these assets. Any shortfall of the recoverable values against the carrying amounts of these assets will be recognized as impairment losses. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These key assumptions applied in the determination of the value-in-use including a sensitivity analysis, are disclosed and further explained in Notes 14 and 15 to the financial statements.

The carrying amounts of the Group's goodwill and the Company's cost of investment in subsidiaries as at 31 December 2021 were disclosed in Note 15 and 14 respectively.

4. Revenue

(a) Disaggregation of revenue

	Hardware, Lifecycle Services and IT Asset Disposition		Third Party Maintenance		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Major revenue stream</u>						
Sale of goods	174,453	156,211	4,344	3,582	178,797	159,793
Rendering of services	14,558	13,210	51,834	60,464	66,392	73,674
Equipment rental and leasing	4,439	–	–	–	4,439	–
	193,450	169,421	56,178	64,046	249,628	233,467
<u>Timing of transfer of goods or services</u>						
At a point in time	174,453	169,421	4,344	3,582	178,797	173,003
Over time	18,997	–	51,834	60,464	70,831	60,464
	193,450	169,421	56,178	64,046	249,628	233,467

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

4. Revenue (cont'd)

(a) Disaggregation of revenue (cont'd)

	2021	2020
	\$'000	\$'000
<u>Primary geographical markets</u>		
Singapore	9,826	13,789
Europe, the Middle East and Africa	99,437	84,676
Americas	134,551	131,201
Others	5,814	3,801
	249,628	233,467
	249,628	233,467

(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.

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

(c) Contract balances

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

	Group	
	2021	2020
	\$'000	\$'000
Capitalized contract costs (Note 19)	4,454	1,067
Deferred income	21,862	18,876
	21,862	18,876
	21,862	18,876

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 recognized as revenue as the Group performs under the contract.

Significant changes in deferred income is explained as follows:

	Group	
	2021	2020
	\$'000	\$'000
Revenue recognized that was included in the deferred income balance at the beginning of the year	16,197	25,386
	16,197	25,386
	16,197	25,386

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

5. Other income

	Group	
	2021	2020
	\$'000	\$'000
Interest income on:		
- Finance lease receivables	10	33
- Fixed deposits	2	34
Government grants	2,520	5,425
Sales of other ancillary services	3	1
Rental of carpark	30	37
Others	281	573
	2,846	6,103
	2,846	6,103

Government grants mainly related to Paycheck Protection Program (“PPP”) in United States, Jobs Support Scheme (“JSS”) in Singapore and Coronavirus Job Retention Scheme in United Kingdom as support measures to relief operations affected by COVID-19 of \$2,359,000 (2020: \$5,355,000).

Congress in United States established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the US\$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. The PPP could spend to cover payroll, mortgage interest, rent, and utilities.

In Singapore, JSS provides wage support to employers to help them retain their local employees during this period of economic uncertainty. Employers who have made CPF contributions for their local employees will qualify for the payouts under the scheme.

In United Kingdom, any employer can apply to the scheme to temporarily cover people’s salaries, including businesses, charities, agencies and public authorities. Employees have to agree to be put on furlough – and an individual can’t apply by themselves.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

6. Employee benefits expense

	Group	
	2021	2020
	\$'000	\$'000
Salaries, allowances, bonuses and commissions	54,113	49,017
Contributions to defined contribution plan	4,145	4,584
Share-based payments (Note 27)	84	322
Other short-term benefits	1,519	2,029
	59,861	55,952
	59,861	55,952

The employee benefits expense is charged under:

Administrative expenses	19,123	27,745
Cost of sales	13,982	7,713
Selling expenses	26,756	20,494
	59,861	55,952
	59,861	55,952

7. Finance costs

	Group	
	2021	2020
	\$'000	\$'000
Interest expense on:		
- Bank loans, trade receivables factoring, and line of credit	215	512
- Lease liabilities (Note 13)	424	596
	639	1,108
	639	1,108

8. Other charges, net

	Group	
	2021	2020
	\$'000	\$'000
<u>Other charges</u>		
Impairment loss on trade and other receivables (Note 18)	(355)	(662)
Impairment loss on goodwill	-	(350)
Write-off of plant and equipment	(52)	-
Foreign exchange loss, net	-	(883)
	(407)	(1,895)
<u>Other credits</u>		
Foreign exchange gain, net	1,060	-
Fair value adjustment on financial liability	-	188
	653	(1,707)
	653	(1,707)

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

9. Profit before tax

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

	Group	
	2021	2020
	\$'000	\$'000
Employee benefits expense (Note 6)	59,861	55,952
Operating lease expense	501	855
Depreciation of plant and equipment (Note 12)	1,180	3,862
Depreciation of right-of-use assets (Note 13)	2,928	2,837
Amortization of intangible assets (Note 15)	272	799
Professional fees	2,448	911
Audit fees		
Auditors of the Company	432	443
Other auditors	144	138
Director fees	259	246

10. Income tax expense

Components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2021 and 2020 are:

	Group	
	2021	2020
	\$'000	\$'000
<u>Current income tax:</u>		
Current income taxation	(1,472)	(1,425)
Over provision in respect of previous years	1,005	136
	(467)	(1,289)
<u>Deferred income tax:</u>		
Origination and reversal of temporary differences	874	72
Over/(Under) provision in respect of previous years	183	(118)
	1,057	(46)
Income tax credit/(expense) recognised in profit or loss	590	(1,335)

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

10. Income tax expense (cont'd)

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 2021 and 2020 is as follows:

	Group	
	2021	2020
	\$'000	\$'000
Profit before tax	3,856	4,031
Tax at the domestic rates applicable to profit in the countries where the Group operates	(340)	(1,284)
Non-deductible expenses	(444)	(1,449)
Income not subject to tax	447	1,557
Over provision of income tax expense in respect of previous years	1,005	136
Over/(under) provision of deferred income tax expense in respect of previous years	183	(118)
Deferred tax assets not recognized	–	(206)
Utilisation of previously unrecognized deferred tax assets	(213)	–
Others	(48)	29
Income tax credit/(expense) recognised in profit or loss	590	(1,335)

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

	Group	
	2021	2020
	\$'000	\$'000
Differences in depreciation for tax purposes	(312)	36
Tax benefit arising from acquisition of non-controlling interests	179	(461)
Unutilized tax losses	1,181	59
Unutilized capital allowances	3	17
Provisions	(164)	446
Over/(under) provision of deferred income tax expense in respect of previous years	183	(118)
Others	(13)	(25)
Total deferred tax credit/(expense) recognised in profit or loss	1,057	(46)

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

10. Income tax expense (cont'd)

Deferred tax balance in balance sheets:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<u>Deferred tax assets/(liabilities)</u>				
Tax benefit arising from acquisition of non-controlling interests	2,071	1,892	-	-
Differences in depreciation for tax purposes	(1)	311	-	329
Unutilized tax losses	1,240	59	-	-
Unutilized capital allowances	20	17	-	17
Unremitted foreign income	(38)	(25)	(38)	(25)
Provisions	1,931	1,912	-	4
	<u>5,223</u>	<u>4,166</u>	<u>(38)</u>	<u>325</u>
Presented in the balance sheets as follow:				
Deferred tax assets	5,261	4,233	-	325
Deferred tax liabilities	(38)	(67)	(38)	-
	<u>5,223</u>	<u>4,166</u>	<u>(38)</u>	<u>325</u>

Unrecognized temporary differences relating to investment in subsidiaries

The Group has not recognized 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 recognized amounted to \$36,065,000 (2020: \$35,720,000). The deferred tax liability is estimated to be \$7,628,000 (2020: \$3,654,000).

Unrecognized tax losses

At the end of the reporting period, the Group has tax losses of approximately \$1,293,000 (2020: \$1,356,000) that are available for offset against future taxable profits of the Group in which the losses arose, for which no deferred tax assets is recognized 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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

10. Income tax expense (cont'd)

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

At the end of the reporting period, the Group has unrecognized deferred tax assets of approximately \$3,728,000 (2020: \$4,290,000) arising from the acquisition of non-controlling interests. 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 recognized \$2,071,000 (2020: \$1,892,000) of deferred tax assets as at 31 December 2021. The remaining deferred tax assets of \$3,728,000 (2020: \$4,290,000) are not recognized 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:

	2021	2020
	\$'000	\$'000
Profit for the year attributable to owners of the Company	4,446	2,696
	<u> </u>	<u> </u>
	No. of	No. of
	shares	shares
	'000	'000
Weighted average number of ordinary shares for earnings per share computation	294,238	292,427
Effect of dilutions:		
- Contingently issuable performance shares	617	689
	<u> </u>	<u> </u>
Weighted average number of ordinary shares for diluted earnings per share computation	294,855	293,116
	<u> </u>	<u> </u>
	2021	2020
Earnings per share attributable to owners of the Company (cents per share)		
Basic	1.51	0.92
Diluted	1.51	0.92
	<u> </u>	<u> </u>

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

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 2020	3,348	140	9,924	23,905	193	37,510
Additions	216	—	962	137	66	1,381
Transferred to inventories*	—	—	—	(19,617)	—	(19,617)
Exchange differences	43	—	(140)	(7)	3	(101)
At 31 December 2020 and 1 January 2021	3,607	140	10,746	4,418	262	19,173
Additions	78	—	340	—	16	434
Write-off of plant and equipment	—	—	(559)	—	—	(559)
Exchange differences	16	—	262	3	—	281
At 31 December 2021	3,701	140	10,789	4,421	278	19,329

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

12. Plant and equipment (cont'd)

Group	Leasehold improvement \$'000	Restoration costs \$'000	Plant and equipment \$'000	Maintenance parts \$'000	Motor vehicles \$'000	Total \$'000
Accumulated depreciation:						
At 1 January 2020	2,251	79	7,696	14,375	104	24,505
Depreciation charge for the year	418	58	1,302	2,046	38	3,862
Transferred to inventories*	–	–	–	(12,038)	–	(12,038)
Exchange differences	11	3	(114)	(13)	–	(113)
At 31 December 2020 and 1 January 2021	2,680	140	8,884	4,370	142	16,216
Depreciation charge for the year	330	–	773	20	57	1,180
Write-off of plant and equipment	–	–	(507)	–	–	(507)
Exchange differences	10	–	167	3	–	180
At 31 December 2021	3,020	140	9,317	4,393	199	17,069
Net book value:						
At 31 December 2020	927	–	1,862	48	120	2,957
At 31 December 2021	681	–	1,472	28	79	2,260

* In the previous financial year, the Group has reclassified the maintenance parts with an aggregate net book value of \$9,529,000 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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

12. Plant and equipment (cont'd)

Company	Leasehold improvement \$'000	Plant and equipment \$'000	Maintenance parts \$'000	Total \$'000
Cost:				
At 1 January 2020	1,799	1,746	22,567	26,112
Additions	–	–	244	244
Transfer-out*	–	–	(22,811)	(22,811)
<hr/>				
At 31 December 2020, 1 January 2021 and 31 December 2021	1,799	1,746	–	3,545
<hr/>				
Accumulated depreciation:				
At 1 January 2020	1,637	1,662	11,005	14,304
Depreciation charge for the year	162	76	2,277	2,515
Transfer-out*	–	–	(13,282)	(13,282)
<hr/>				
At 31 December 2020 and 1 January 2021	1,799	1,738	–	3,537
Depreciation charge for the year	–	8	–	8
<hr/>				
At 31 December 2021	1,799	1,746	–	3,545
<hr/>				
Net book value:				
At 31 December 2020	–	8	–	8
<hr/>				
At 31 December 2021	–	–	–	–
<hr/>				

* In the previous financial year, the Company has transferred the maintenance parts with an aggregate net book value of \$9,529,000 to its subsidiary, Rockland Congruity LLC.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

12. Plant and equipment (cont'd)

The depreciation expense is charged under:

	Group	
	2021	2020
	\$'000	\$'000
Cost of sales	37	2,480
Administrative expenses	1,143	1,382
	1,180	3,862
	1,180	3,862

Purchase of plant and equipment

During the financial year, the Group acquired plant and equipment with an aggregate cost of \$434,000 (2020: \$1,381,000). The cash outflow on acquisition of property, plant and equipment amounted to \$434,000 (2020: \$1,381,000).

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 2021 is \$62,000 (2020: \$60,000).

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:

	Group	
	2021	2020
	\$'000	\$'000
Office premises		
As at 1 January	7,004	9,508
Additions	109	303
Charge for the year	(2,928)	(2,837)
Exchange differences	224	30
	4,409	7,004
As at 31 December	4,409	7,004

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

13. Leases (cont'd)

As a lessee (cont'd)

	Company	
	2021	2020
	\$'000	\$'000
Office premises		
As at 1 January	306	523
Charge for the year	(216)	(217)
As at 31 December	90	306

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

	Note	Group	
		2021	2020
		\$'000	\$'000
At 1 January		8,067	10,309
Additions		109	303
Accretion of interest	7	424	596
Payments		(3,194)	(3,207)
Exchange differences		21	66
At 31 December		5,427	8,067
Current	2022	1,531	2,876
Non-current	2023 – 2028	3,896	5,191
Total lease liabilities		5,427	8,067

		Company	
		2021	2020
		\$'000	\$'000
At 1 January		313	527
Additions		–	–
Accretion of interest		6	12
Payments		(226)	(226)
At 31 December		93	313
Current	2022	93	220
Non-current		–	93
Total lease liabilities		93	313

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

13. Leases (cont'd)

As a lessee (cont'd)

The maturity analysis of lease liabilities is disclosed in Note 30(b).

Lease liabilities are mainly denominated in the following currencies:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore Dollars	419	953	–	–
United States Dollars	2,131	3,547	–	–
Great Britain Pound	2,477	3,040	–	–
Euro	400	527	–	–

The following are the amounts recognised in profit or loss:

	Note	Group	
		2021 \$'000	2020 \$'000
Depreciation expense of right-of-use assets		2,928	2,837
Interest expense on lease liabilities	7	424	596
Lease expense not capitalised in lease liabilities:			
- Expense relating to short-term leases and low value assets (included in sales and distribution costs and general and administrative expenses)		501	855
Total	9	501	855
Total amount recognised in profit or loss		3,853	4,288

The Group had total cash outflows for leases of \$3,695,000 (2020: \$4,062,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of \$109,000 (2020: \$303,000).

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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

13. Leases (cont'd)

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 two years.

Income from the operating lease recognized during the financial year was \$4,439,000 (2020: \$3,600,000).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2021	2020
	\$'000	\$'000
Not later than one year	878	1,018
Later than one year and not later than five years	–	2
	<hr/>	<hr/>
At 31 December	878	1,020
	<hr/>	<hr/>

14. Investment in subsidiaries

	Company	
	2021	2020
	\$'000	\$'000
Shares, at cost	42,982	42,982
Issuance of Procurri PSP to employees of subsidiaries	1,813	1,769
	<hr/>	<hr/>
	44,795	44,751
Less: Impairment loss	(428)	(428)
	<hr/>	<hr/>
	44,367	44,323
	<hr/>	<hr/>

The movement in impairment loss accounts is as follows:

At 1 January	428	–
Impairment loss	–	428
	<hr/>	<hr/>
At 31 December	428	428
	<hr/>	<hr/>

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

14. Investment in subsidiaries (cont'd)

Impairment assessment for investment in subsidiaries

The Company has performed the impairment assessment for investment in Procurri Singapore Pte Ltd ("PSG"), Procurri Asia Pacific Pte Ltd ("PAP") and Procurri Malaysia ("PMY") of \$17,034,000 due to impairment indicator noted. No impairment loss is recorded in profit or loss during the financial year.

During the previous financial year, for impairment assessment for Procurri Malaysia ("PMY"), the Company had recognised an impairment loss of \$428,200 in profit or loss for impairment in PMY. The recoverable amounts were determined based on the cash flow forecasts from the updated financial budgets approved by management that use various significant operational and predictive assumptions, and taking into consideration the adverse effect on businesses arising from and the current evolving COVID-19 situation, as well as the historical trend (pre-COVID-19) and long term average growth rates. The key assumptions for the value in use calculations are those regarding the revenue growth rates, terminal growth rates, and the pre-tax discount rates as explained in Note 15.

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	
		2021 %	2020 %
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

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

14. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held	
		2021 %	2020 %
Procurri Canada Limited ^(d)	Sale of IT asset disposal, repair services, data center services, hardware resale and independent maintenance services of computer hardware and peripheral equipment	100	100
Procurri Australia Pty. Ltd. ^(d)	Sale of IT asset disposal, repair services, data center services, hardware resale and independent maintenance services of computer hardware and peripheral equipment	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
Held through ASVIDA UK Limited:			
Procurri LLC ^(e) 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") ^(d) United Kingdom	Sale and distribution of computer hardware products, maintenance and other services related to IT systems and networks	100	100

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

14. Investment in subsidiaries (cont'd)

Composition of the Group (cont'd)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held	
		2021 %	2020 %
Held through Procurri LLC:			
Procurri S. de R.L. de C.V. ^(d) Mexico	Business of provision of information technology solutions	100	100
Rockland Congruity LLC ^(e) United States	Engage in IT hardware and enterprise support by offering independent maintenance and IT support services in the Americas	100	100

(a) Audited by Ernst & Young LLP in Singapore

(b) Audited by member firms of EY Global in the respective countries

(c) These subsidiaries are not significant to the Group and are audited by other firms of accountants other than member firms of Ernst & Young

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

(e) Audited by Ernst & Young LLP in Singapore for group reporting purpose

Incorporation of subsidiaries

(a) Procurri Canada Limited

On 23 February 2020, the Company incorporated a new wholly-owned subsidiary, Procurri Canada Limited with an authorized issued and paid-up share capital of CAD\$100.

(b) Procurri Australia Pty. Ltd.

On 10 June 2020, the Company incorporated a new wholly-owned subsidiary, Procurri Australia Pty. Ltd. with an authorized issued and paid-up share capital of AUS\$30,000.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

15. Intangible assets

Group	Goodwill \$'000	Customer relationship \$'000	Technical know-how \$'000	Software \$'000	Total \$'000
Cost:					
At 1 January 2020	12,006	946	2,598	1,367	16,917
Exchange differences	–	–	–	(35)	(35)
At 31 December 2020 and 1 January 2021	12,006	946	2,598	1,332	16,882
Exchange differences	255	–	–	5	260
At 31 December 2021	12,261	946	2,598	1,337	17,142
Accumulated amortization and impairment:					
At 1 January 2020	–	946	2,078	206	3,230
Amortization charge for the year (Note 9)	–	–	520	279	799
Impairment loss (Note 8)	350	–	–	–	350
Exchange differences	–	–	–	(25)	(25)
At 31 December 2020 and 1 January 2021	350	946	2,598	460	4,354
Amortization charge for the year (Note 9)	–	–	–	272	272
Exchange differences	–	–	–	(12)	(12)
At 31 December 2021	350	946	2,598	720	4,614
Net book value:					
At 31 December 2020	11,656	–	–	872	12,528
At 31 December 2021	11,911	–	–	617	12,528

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

15. Intangible assets (cont'd)

Company	Technical know-how \$'000
Cost:	
At 1 January 2020, 31 December 2020 and 2021	2,598
	<hr/>
Accumulated amortization and impairment:	
At 1 January 2020	2,078
Amortization charge for the year	520
	<hr/>
At 31 December 2020, 1 January 2021 and 31 December 2021	2,598
Net book value:	
At 31 December 2020	-
	<hr/> <hr/>
At 31 December 2021	-
	<hr/> <hr/>

Amortization expense

The amortization 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	
	2021	2020
	\$'000	\$'000
PEL ^(a)	9,742	9,444
Procurri Malaysia ^(b)	2,169	2,212
	<hr/>	<hr/>
	11,911	11,656
	<hr/> <hr/>	<hr/> <hr/>

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

15. Intangible assets (cont'd)

Goodwill (cont'd)

- (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 (2020: 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% (2020: 5.00% to 10.00%) growth rate on revenue. A terminal growth rate of 1.00% (2020: 1.00%) was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 11.4% (2020: 12.5%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognized as the carrying amount of the CGU was lower than its recoverable amount. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable amount.
- (b) The recoverable amount was determined based on the value-in-use method. The value in use was measured by management using a discounted cash flow model covering a five-year period (2020: 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 9.00% to 20.00% (2020: 9.00% to 20.00%) growth rate on revenue. A terminal growth rate of 1.00% (2020: 1.00%) was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 12.9% (2020: 13.3%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. As a result of this analysis, management has recognized an impairment charge of Nil (2020: \$350,000) against goodwill associated with the acquisition of Procurri Malaysia. The impairment charge is recorded within the "Other charges" line item in profit or loss as at 31 December 2020.

16. Finance lease receivables

Group	Minimum payments \$'000	Unearned finance income \$'000	Present value \$'000
31.12.2021			
Minimum lease payments receivable:			
Not later than one year	550	(22)	528
Later than one year and not later than five years	56	(6)	50
	606	(28)	578
	606	(28)	578

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

16. Finance lease receivables (cont'd)

Group	Minimum payments \$'000	Unearned finance income \$'000	Present value \$'000
31.12.2020			
Minimum lease payments receivable:			
Not later than one year	308	(9)	299
Later than one year and not later than five years	218	(8)	210
	526	(17)	509
	526	(17)	509

The average lease term is one to three years (2020: one to three years). The average effective interest rate is 0.33% to 8.77% (2020: 0.33% to 8.77%) 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.

17. Inventories

	Group	
	2021 \$'000	2020 \$'000
Balance sheet:		
Computer equipment and peripheral equipment held for sale	20,928	26,035
	20,928	26,035
Income statement:		
Inventories recognized as an expense in cost of sales	127,244	118,577
Inclusive of the following charge:		
- Inventories written down	9,951	7,355
	9,951	7,355

18. Trade and other receivables

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade receivables				
- Third parties	48,601	33,499	-	-
Less: Impairment loss	(1,689)	(1,716)	-	-
	46,912	31,783	-	-
- Amount due from subsidiaries	-	-	8,510	8,627
	46,912	31,783	8,510	8,627
Total trade receivables, net	46,912	31,783	8,510	8,627

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

18. Trade and other receivables (cont'd)

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Other receivables				
- Third parties	483	301	–	2
- GST receivables	27	6	13	19
- Sales tax receivables	1,093	1,069	–	–
- Advances to staff	54	279	–	–
- Deposit	1,054	655	45	45
- Amounts due from subsidiaries	–	–	14,382	14,943
- Loans to subsidiaries	–	–	4,288	4,179
- Tax recoverable	2,814	1,482	–	–
	5,525	3,792	18,728	19,188
Less: Impairment loss	(1,025)	(1,011)	–	–
Total other receivables, net	4,500	2,781	18,728	19,188
Total trade and other receivables	51,412	34,564	27,238	27,815
Add: Cash and bank balances (Note 20)	29,597	32,700	4,162	4,753
Less: GST receivables	(27)	(6)	(13)	(19)
Less: Sales tax receivables, net	(68)	(58)	–	–
Less: Tax recoverable	(2,814)	(1,482)	–	–
Total financial assets carried at amortized cost	78,100	65,718	31,387	32,549

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 \$Nil (2020: \$5,886,000) transferred to a factoring bank (Note 23).

Trade and other receivables are mainly denominated in the following currencies:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore Dollars	13,302	966	18,735	13,129
United States Dollars	14,065	20,023	8,503	14,686
Great Britain Pound	14,104	11,243	–	–
Euro	4,764	1,189	–	–
Malaysian Ringgit	1,748	904	–	–
Chinese Renminbi	327	285	–	–
Indian Rupee	1,367	443	–	–
Australian Dollars	5	73	–	–
Canadian Dollars	1,073	404	–	–

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

18. Trade and other receivables (cont'd)

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	
	2021	2020
	\$'000	\$'000
Movement in allowance accounts:		
At 1 January	2,727	2,566
Charge for the year (Note 8)	355	662
Written off	(381)	(490)
Foreign exchange movements	13	(11)
	2,714	2,727
At 31 December	2,714	2,727

Other receivables

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

Loans to subsidiaries are unsecured, bears interest of 2.75% (2020: 2.75%), repayable within next twelve months and are to be settled in cash.

All loans to subsidiaries are denominated in United States Dollars.

19. Prepayments

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Advances to suppliers	3,589	7,991	–	–
Prepayments	928	128	17	17
Capitalized contract cost	4,454	1,067	–	–
	8,971	9,186	17	17
	8,971	9,186	17	17

Procurri Corporation Limited and its Subsidiaries**Notes to the Financial Statements
For the financial year ended 31 December 2021****20. Cash and bank balances**

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	29,597	32,700	4,162	4,753
Less: Pledged deposits	–	(785)	–	(661)
Less: Fixed deposit	(125)	(661)	–	(661)
Cash and cash equivalents	29,472	31,254	4,162	3,431

Pledged deposits represent amounts held by banks as security for banking facilities (Note 23).

Fixed deposit is made for a period of twelve months (2020: twelve months) and earns interest at 0.20% to 2.60% (2020: 0.20% to 2.60%).

Cash and bank balances are mainly denominated in the following currencies:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Singapore Dollars	2,724	5,282	1,556	380
United States Dollars	14,535	15,185	2,606	4,373
Great Britain Pound	8,163	9,238	–	–
Euro	946	–	–	–
Malaysian Ringgit	500	751	–	–
Chinese Renminbi	224	187	–	–
Indian Rupee	676	905	–	–
Australian Dollars	51	26	–	–
Canadian Dollars	1,778	1,126	–	–

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

21. Trade and other payables

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables				
- Third parties	25,658	16,333	11	11
- Amount due to subsidiaries	–	–	–	258
	25,658	16,333	11	269
Other payables				
- Third parties	1,858	1,057	174	350
- Withholding tax payable	125	126	125	125
- Sales tax payable	2,251	2,605	703	926
- Accrued operating expenses	6,426	7,085	1,099	690
- Amount due to subsidiaries	–	–	8	–*
	10,660	10,873	2,109	2,091
Total trade and other payables	36,318	27,206	2,120	2,360
Add: Loans and borrowings (Note 23)	12,082	21,028	–	1,322
Less: Withholding tax payable	(125)	(126)	(125)	(125)
Less: Sales tax payable	(2,251)	(2,605)	(703)	(926)
Total financial liabilities carried at amortised cost	46,024	45,503	1,292	2,631

* Less than \$1,000

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

Amount due to subsidiaries is unsecured, non-interest bearing and repayable on demand.

Trade and other payables are mainly denominated in the following currencies:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Singapore Dollars	3,759	1,984	1,963	1,671
United States Dollars	15,310	12,562	157	689
Great Britain Pound	12,653	10,471	–	–
Euro	2,064	220	–	–
Malaysian Ringgit	865	675	–	–
Chinese Renminbi	277	271	–	–
Indian Rupee	741	831	–	–
Australian Dollars	361	67	–	–
Canadian Dollars	288	125	–	–

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

22. Deferred income

Deferred income is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Deferred income is recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer). Revenue will be recognized on a straight-line basis over the specified period of the maintenance contracts signed.

23. Loans and borrowings

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Bank loans	2,000	4,566	–	1,322
Trade receivables factoring	–	5,886	–	–
Line of credit	10,057	5,751	–	–
Others	25	29	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	12,082	16,232	–	1,322
	<hr/>	<hr/>	<hr/>	<hr/>
Non-current				
Bank loans	–	4,796	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	–	4,796	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total loans and borrowings	12,082	21,028	–	1,322

Bank loans

Bank loans are unsecured and covered by a corporate guarantee by the Company on behalf of a subsidiary and repayable in 1 to 12 (2020: 1 to 39) monthly instalments. The amount bears effective interest rate fixed at 1.80% (2020: ranging from 1.80% to 6.28%) per annum.

Trade receivables factoring

Trade receivables factoring is secured by a charge over trade receivables balances of Nil (2020: \$5,886,000) with recourse. The interest rate for the trade receivables factoring is Nil (2020: 1.95% to 2.60%) per annum.

Line of credit

Line of credit is unsecured, repayable on demand and is covered by a corporate guarantee by the Company on behalf of a subsidiary. The interest rate is 1.63% to 1.72% (2020: 1.65% to 3.93%) per annum.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

23. Loans and borrowings (cont'd)

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

	1.1.2021	Cash flows	Addition of	Foreign	31.12.2021
	\$'000	\$'000	new leases	exchange	\$'000
			\$'000	movements	
				\$'000	
Bank loans	9,362	(7,427)	–	65	2,000
Lease liabilities (Note 13)	8,067	(2,770)	109	21	5,427
Trade receivables factoring	5,886	(6,055)	–	169	–
Line of credit	5,751	4,238	–	68	10,057
Others	29	–	–	(4)	25
Total loans and borrowings	29,095	(12,014)	109	319	17,509

	1.1.2020	Cash flows	Addition of	Foreign	31.12.2020
	\$'000	\$'000	new leases	exchange	\$'000
			\$'000	movements	
				\$'000	
Bank loans	9,424	(53)	–	(9)	9,362
Lease liabilities (Note 13)	10,309	(2,611)	303	66	8,067
Trade receivables factoring	1,045	4,822	–	19	5,886
Line of credit	6,148	(295)	–	(102)	5,751
Others	76	(46)	–	(1)	29
Total loans and borrowings	27,002	1,817	303	(27)	29,095

Loans and borrowings are mainly denominated in the following currencies:

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Singapore Dollars	2,000	4,000	–	–
United States Dollars	10,057	11,583	–	1,322
Great Britain Pound	–	4,767	–	–
Euro	–	678	–	–

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

24. Provisions

Provision for reinstatement costs

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
At 1 January and 31 December	225	225	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 one year after renewal (2020: two years).

Provision for claims

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
At 1 January	590	456	–	–
Provision during the year	156	123	–	–
Exchange difference	7	11	–	–
At 31 December	753	590	–	–
Total provisions	978	815	65	65

Provision for dilapidations claim relating to leasehold premises amounted to approximately \$753,000 (2020: \$590,000).

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

25. Share capital

	Group and Company			
	2021		2020	
	No. of ordinary shares	Amount \$'000	No. of ordinary shares	Amount \$'000
<i>Ordinary shares</i>				
At 1 January	293,686,573	74,541	284,689,000	71,703
Issued for acquisition for non-controlling interest	–	–	7,865,973	2,544
Issuance of new shares pursuant to performance shares plan	551,400	154	1,131,600	324
Share issuance expense	–	–	–	(30)
At 31 December	294,237,973	74,695	293,686,573	74,541

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

26. Other reserves

Group	Foreign currency translation reserve \$'000	Merger reserve \$'000	Premium on acquisition of non- controlling interest \$'000	Share- based payment reserve (Note 27) \$'000	Total \$'000
Opening balance at 1 January 2021	(183)	(4,420)	(42,267)	194	(46,676)
Share-based payment	–	–	–	84	84
Issuance of shares pursuant to performance shares plan	–	–	–	(154)	(154)
Exchange differences	352	–	–	–	352
Closing balance at 31 December 2021	169	(4,420)	(42,267)	124	(46,394)
Opening balance at 1 January 2020	(454)	(4,420)	(42,267)	196	(46,945)
Share-based payment	–	–	–	322	322
Acquisition of non-controlling interests	–	–	–	(324)	(324)
Exchange differences	271	–	–	–	271
Closing balance at 31 December 2020	(183)	(4,420)	(42,267)	194	(46,676)

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

26. Other reserves (cont'd)

Foreign currency translation reserve

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

Merger reserve

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

Premium on acquisition of non-controlling interest

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

27. Share-based compensation

	Group and Company	
	2021	2020
	\$'000	\$'000
Performance share plan	84	322

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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

27. Share-based compensation (cont'd)

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

The table below summarizes 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 \$
2020	669,800	1,540,500	1,131,600	–	1,078,700	0.2750
2021	1,078,700	89,600	551,400	–	616,900	0.2790

The Company has granted 1,540,500 shares on 12 May 2020 and 89,600 shares on 18 February 2021 under the Procurri PSP. A total of 551,400 number of shares have been vested in the financial year ended 31 December 2021.

Performance share plan reserve

	Group and Company	
	2021	2020
	\$'000	\$'000
Balance at beginning of the year	194	196
Expense recognised in profit or loss	84	322
Issuance of shares pursuant to the Procurri PSP	(154)	(324)
Balance at end of the year	124	194

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

27. Share-based compensation (cont'd)

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

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

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

- confirmed employees of the group;
- directors of the Company and/or any of its subsidiaries and/or any of its associated companies who perform an executive function; and
- directors of the Company and/or any of its subsidiaries, other than those who perform an executive function

(subject to the rules of the Procurri ESOS).

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

No awards have been granted under the Procurri ESOS for the financial years ended 31 December 2021 and 2020.

28. Related party transactions and balances

Compensation of key management personnel

	Group	
	2021	2020
	\$'000	\$'000
Salaries and other short-term employee benefits	4,670	4,371
Share-based payment	74	322
Central Provident Fund contributions	24	18
Others	458	-
	5,226	4,711
	5,226	4,711
Key management compensation comprises the following:		
Remuneration to directors of the Company	1,431	1,442
Remuneration to other key management personnel	3,536	3,023
Director fees	259	246
	5,226	4,711
	5,226	4,711

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.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

29. 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 (2020: one to twelve years).

Minimum lease payments recognized as an expense in profit or loss for the financial year ended 31 December 2021 amounted to \$501,000 (2020: \$855,000).

30. Financial risk management objective and policies

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

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

(a) Credit risk

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

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

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

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

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

30. Financial risk management objective and policies (cont'd)

(a) Credit risk (cont'd)

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 categorizes 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 recognized 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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

30. Financial risk management objective and policies (cont'd)

(a) **Credit risk (cont'd)**

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 2021 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 a provision matrix, grouped by geographical region:

(i) Singapore

31 December 2021	Current	Past due		Total
		Less than 90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	1,046	615	137	1,798
Loss allowance provision	–	–	(90)	(90)

31 December 2020	Current	Past due		Total
		Less than 90 days	More than 90 days	
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	787	809	596	2,192
Loss allowance provision	–	–	(42)	(42)

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

30. Financial risk management objective and policies (cont'd)

(a) **Credit risk (cont'd)**

(ii) Other geographical area

31 December 2021	Current \$'000	Past due		Total \$'000
		Less than 90 days \$'000	More than 90 days \$'000	
Gross carrying amount	28,173	15,557	8,598	52,328
Loss allowance provision	–	–	(2,624)	(2,624)

31 December 2020	Current \$'000	Past due		Total \$'000
		Less than 90 days \$'000	More than 90 days \$'000	
Gross carrying amount	16,912	13,285	4,902	35,099
Loss allowance provision	–	(5)	(2,680)	(2,685)

Information regarding loss allowance movement of trade and other receivables are disclosed in Note 18.

During the year, the Group wrote-off \$381,000 (2020: \$490,000) of trade and other receivables as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Credit risk concentration profile

At the end of the reporting period, approximately 15% (2020: 16%) 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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

30. Financial risk management objective and policies (cont'd)

(b) **Liquidity risk (cont'd)**

Analysis of financial instruments by remaining contractual maturities

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

Group	One year or less \$'000	1 to 5 years \$'000	Total \$'000
31.12.2021			
Financial assets:			
Trade and other receivables	48,503	–	48,503
Finance lease receivables	550	56	606
Cash and bank balances	29,597	–	29,597
	<hr/>		
Total undiscounted financial assets	78,650	56	78,706
	<hr/>		
Financial liabilities:			
Trade and other payables	33,942	–	33,942
Loans and borrowings	12,717	–	12,717
Lease liabilities	1,612	4,102	5,714
	<hr/>		
Total undiscounted financial liabilities	48,271	4,102	52,373
	<hr/>		
Total net undiscounted financial assets/(liabilities)	30,379	(4,046)	26,333
	<hr/> <hr/>		

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

30. Financial risk management objective and policies (cont'd)

(b) **Liquidity risk (cont'd)**

Group	One year or less \$'000	1 to 5 years \$'000	5 years or more \$'000	Total \$'000
31.12.2020				
Financial assets:				
Trade and other receivables	33,018	–	–	33,018
Finance lease receivables	308	218	–	526
Cash and bank balances	32,700	–	–	32,700
Total undiscounted financial assets	66,026	218	–	66,244
Financial liabilities:				
Trade and other payables	27,206	–	–	27,206
Loans and borrowings	16,358	4,948	–	21,306
Lease liabilities	3,297	4,730	1,280	9,307
Total undiscounted financial liabilities	46,861	9,678	1,280	57,819
Total net undiscounted financial assets/(liabilities)	19,165	(9,460)	(1,280)	8,425

Company	One year or less \$'000	Total \$'000
31.12.2021		
Financial assets:		
Trade and other receivables	27,225	27,225
Cash and bank balances	4,162	4,162
Total undiscounted financial assets	31,387	31,387
Financial liabilities:		
Trade and other payables	1,292	1,292
Lease liabilities	94	94
Total undiscounted financial liabilities	1,386	1,386
Total net undiscounted financial assets	30,001	30,001

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

30. Financial risk management objective and policies (cont'd)

(b) Liquidity risk (cont'd)

Company	One year or less \$'000	1 to 5 years \$'000	Total \$'000
31.12.2020			
Financial assets:			
Trade and other receivables	27,796	–	27,796
Cash and bank balances	4,753	–	4,753
Total undiscounted financial assets	32,549	–	32,549
Financial liabilities:			
Trade and other payables	2,360	–	2,360
Loans and borrowings	1,329	–	1,329
Lease liabilities	226	94	320
Total undiscounted financial liabilities	3,915	94	4,009
Total net undiscounted financial assets/ (liabilities)	28,634	(94)	28,540

(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	Total \$'000
31.12.2021			
Fixed rate			
Lease liabilities	1,531	3,896	5,427
Bank loans	2,000	–	2,000
Floating rate			
Line of credit	10,057	–	10,057
Others	25	–	25

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

30. Financial risk management objective and policies (cont'd)

(c) **Interest rate risk (cont'd)**

Group	Less than 1 year \$'000	1 to 5 years \$'000	5 years or more \$'000	Total \$'000
31.12.2020				
Fixed rate				
Lease liabilities	2,876	3,981	1,210	8,067
Floating rate				
Bank loans	4,566	4,796	–	9,362
Line of credit	5,751	–	–	5,751
Trade receivables factoring	5,886	–	–	5,886
Others	29	–	–	29

Company	Less than 1 year \$'000	1 to 5 years \$'000	Total \$'000
31.12.2021			
Fixed rate			
Lease liabilities		93	93
31.12.2020			
Fixed rate			
Lease liabilities		220	313
Floating rate			
Bank loan		1,322	1,322

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2020: 100) basis points lower/ higher with all other variables held constant, the Group's profit before tax would have been \$175,000 (2020: \$210,000) 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.

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

30. Financial risk management objective and policies (cont'd)

(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	
		2021	2020
		\$'000	\$'000
USD/SGD	- if strengthen by 10% (2020: 10%)	3	46
	- if weaken by 10% (2020: 10%)	(3)	(46)
GBP/USD	- if strengthen by 10% (2020: 10%)	40	216
	- if weaken by 10% (2020: 10%)	(40)	(216)
GBP/EUR	- if strengthen by 10% (2020: 10%)	81	12
	- if weaken by 10% (2020: 10%)	(81)	(12)
EUR/GBP	- if strengthen by 10% (2020: 10%)	41	22
	- if weaken by 10% (2020: 10%)	(41)	(22)
SGD/USD	- if strengthen by 10% (2020: 10%)	337	515
	- if weaken by 10% (2020: 10%)	(337)	(515)

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

31. Fair value of assets and liabilities

(a) ***Fair value hierarchy***

The Group categorizes 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 categorized 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***

There are no assets and liabilities measured at fair value at 31 December 2021 and 2020 for which fair value is disclosed.

(c) ***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 2021 and 2020 for which fair value is disclosed.

(d) ***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 20), trade and other receivables (Note 18), trade and other payables (Note 21), loans and borrowings (Note 23), 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.

(e) ***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.

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

32. Segment information

With effect from 1 January 2021, the Group repositioned its business segments into (1) Hardware, Lifecycle Services and IT Asset Disposition “HW and ITAD” and (2) Third Party Maintenance “TPM” segments. Management has fine-tuned its internal reporting function to allow more granular analysis of the respective segments. These two segments were previously known as “Information Technology Distribution business” and “Lifecycle Services business” respectively.:

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

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

Management monitors the operating results of its segments separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is monitored based on revenue and gross profit. Selling expenses, administrative expenses, finance costs, assets and liabilities are managed on a legal entity basis.

	Hardware, Lifecycle Services and IT Asset Disposition		Third Party Maintenance		Per consolidated financial statements	
	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	193,450	169,421	56,178	64,046	249,628	233,467
Cost of sales	(152,560)	(134,965)	(36,570)	(33,757)	(189,130)	(168,722)
Gross profit	40,890	34,456	19,608	30,289	60,498	64,745

Procurri Corporation Limited and its Subsidiaries

**Notes to the Financial Statements
For the financial year ended 31 December 2021**

32. Segment information (cont'd)

Geographical information

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

	Non-current assets	
	2021	2020
	\$'000	\$'000
Singapore	417	1,049
Europe, the Middle East and Africa	13,136	13,805
Americas	3,420	5,353
Others	2,224	2,282
	19,197	22,489
	19,197	22,489

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.

33. Capital management

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

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

	Group	
	2021	2020
	\$'000	\$'000
Loans and borrowings (Note 23)	12,082	21,028
Lease liabilities – Finance lease obligation	–	46
Less: cash and bank balances (Note 20)	(29,597)	(32,700)
Net cash	(17,515)	(11,626)
Total equity	57,385	52,503
Debt-to-capital ratio	(0.305)	(0.221).

Procurri Corporation Limited and its Subsidiaries

Notes to the Financial Statements For the financial year ended 31 December 2021

34. Contingencies

Litigation

On 15 October 2021, Procurri Corporation Limited (the “Company”, and together with its subsidiaries, the “Group”) announced that its wholly-owned subsidiaries, Rockland Congruity LLC (“Rockland Congruity”) and Procurri LLC (“PLLC”), have commenced the filing of a joint action by way of complaint against Brian Davidson (“Davidson”), Sean Brady (“Brady”), Congruity, LLC (“Congruity”) and Congruity 360, LLC (“C360”) (collectively, the “Defendants”), in the Court of Chancery of the State of Delaware, the United States.

The Company has engaged legal counsel to represent Rockland Congruity and PLLC in this case and is working with legal counsel to monitor the progress of this case. The Board will continue to take all necessary actions in the best interests of the shareholders and the Group and will update the shareholders by making further announcements as and when material developments occur in this regard.

Legal advice obtained indicates that it is too early in the litigation to assess if any significant contingent assets will arise. At the date of these financial statements, there are no contingent assets recognised.

35. Authorisation of financial statements

The financial statements for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of the Directors on 7 April 2022.

RELEVANT PROVISIONS OF THE CONSTITUTION

The provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting are extracted from the Constitution and reproduced below. All capitalised terms used in the following extracts shall have the same meanings given to them in the Constitution, a copy of which will be available for inspection at the office of the Company at 29 Tai Seng Avenue, #01-01, Natural Cool Lifestyle Hub, Singapore 534119, during normal business hours for the period which the Offer remains open for acceptance.

1. RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL

SHARES

6. The Company may, subject to and in accordance with the Act, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act. Power to repurchase shares
7. Subject to the Act and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to article 53, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors provided always that:— Issue of shares
- (a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of article 53(1) with such adaptations as are necessary shall apply; and
- (b) any other issue of shares, the aggregate of which would exceed the limits referred to in article 53(2), shall be subject to the approval of the Company in General Meeting.

8. (1) The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution.
- (2) The Company may issue shares for which no consideration is payable to the Company.
- (3) Preference shares may be issued subject to such limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending General Meetings, and preference shareholders shall also have the right to vote at any General Meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the General Meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.
- (4) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.
9. The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.
10. If, at any time the share capital is divided into different classes, subject to the provisions of the Act, preference capital, other than redeemable preference capital, or any alteration of preference shareholders' rights, may be repaid and the special rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the sanction of a Special Resolution passed at a separate General Meeting of the holders of shares of the class and to every such Special Resolution the provisions of the Act shall with such adaptations as are necessary apply. To every such separate General Meeting the provisions of this Constitution relating to General Meetings shall mutatis mutandis apply; but so that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class and any holder of shares of the class present in person or by proxy may demand a poll. Provided always that where the necessary majority for such a Special Resolution is not obtained at the General Meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the General Meeting shall be as valid and effectual as a Special Resolution carried at the General Meeting.
11. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution as is in force at the time of such issue, be deemed to be varied by the issue of further shares ranking equally therewith.

Issue of shares for which no consideration is payable to the Company and preference shares

Treasury Shares

Variation of rights

Issue of further shares with special rights

- | | | |
|-----|--|---------------------------------------|
| 12. | The Company may pay commission or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commission or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other. | Power to pay commission and brokerage |
| 13. | If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital (except treasury shares) as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision. | Power to charge interest on capital |
| 14. | Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee (as the case may be)) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share. | Exclusion of equities |
| 15. | Except as herein provided no person shall exercise any rights or privileges of a Member until he is registered in the Register of Members or (as the case may be) the Depository Register as a Member and shall have paid all calls and other moneys due for the time being on every share held by him. | Exercise of Member's rights |
| 16. | When two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the provisions following:– | Joint holders |
| | (a) The Company shall not be bound to register more than three persons as the holders of any share except in the case of executors or administrators (or trustees) of the estate of a deceased Member. | |
| | (b) For the purposes of a quorum joint-holders of any share shall be treated as one Member. | |
| | (c) Only one certificate shall be issued in respect of any share. | |
| | (d) Only the person whose name stands first in the Register of Members as one of the joint-holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company. Any notice served on any one of the joint-holders shall be deemed to have been duly served on all of them. | |
| | (e) The joint-holders of any share shall be liable severally as well as jointly in respect of calls and any other payments which ought to be made in respect of such share. | |

- (f) Any one of the joint-holders of any share may give effectual receipts for any dividend, return of capital or other sum of money payable to such joint-holders in respect of such share.
- (g) On the death of any one of the joint-holders of any share the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such share but the Directors may require such evidence of death as they think necessary to call for.
- (h) If more than one of such joint-holders are present in person or proxy at any General Meeting only that one of the joint-holders or his attorney or proxy, whose name stands first in the Register of Members or (as the case may be) the Depository Register amongst those so present in person or proxy shall be entitled to vote in respect of any of the shares so held.

SHARE CERTIFICATES

- 17. Every certificate shall be issued under the Seal and shall specify the number and class of shares to which it relates, whether the shares are fully or partly paid up, and the amount (if any) unpaid thereon. No certificate shall be issued representing shares of more than one class. Certificates

- 18. Every person whose name is entered as a Member in the Register of Members shall be entitled within ten market days (or such other period as may be approved by any stock exchange upon which the shares of the Company may be listed) of the closing date of any application for shares or, as the case may be, the date of lodgement of a registrable transfer or on a transmission of shares to one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. If a Member shall require several certificates each for a part of the shares so allotted or transferred or included in the transmission or if a Member transfers part only of the shares comprised in a certificate or requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the Member shall pay prior to the issue of the certificates or certificate a fee not exceeding \$2 for each such new certificate as the Directors may determine. Entitlement to certificates

- 19. Subject to the provisions of the Act, if any certificate shall be defaced, worn out, destroyed, lost or stolen, a new certificate may be issued in lieu thereof on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of any stock exchange upon which the shares of the Company may be listed or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding \$2 as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such new certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss. New certificates may be issued

TRANSFER OF SHARES

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| 20. | Subject to the provisions of this Constitution, all transfers of shares shall be effected by written instrument of transfer in the form as approved by any stock exchange upon which the shares of the Company may be listed or in any other form acceptable to the Directors. | Form of transfer of shares |
| 21. | The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). The transferor shall remain the holder of the share concerned until the name of the transferee is entered in the Register of Members in respect thereof. | Execution of transfer of shares |
| 22. | No shares shall in any circumstances be transferred to any infant, bankrupt or person who is mentally disordered and incapable of managing himself or his affairs. | Person under disability |
| 23. | There shall be no restriction on the transfer of fully paid up shares (except as required by law, the listing rules of any stock exchange upon which the shares of the Company may be listed or the rules and/or bye-laws governing any stock exchange upon which the shares of the Company may be listed) but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. | Directors' power to decline to register |
| 24. | If the Directors refuse to register a transfer of any share, they shall within ten market days after the date on which the transfer was lodged with the Company, send to the transferor and the transferee notice of refusal as required by the Act. | Notice of refusal |
| 25. | The Directors may decline to register any instrument of transfer unless:— | Terms of registration of transfers |
| | (a) such fee not exceeding \$2 as the Directors may from time to time require, is paid to the Company in respect thereof; | |
| | (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid; | |
| | (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and | |
| | (d) the instrument of transfer is in respect of only one class of shares. | |

All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall be returned to the person depositing the same except in the case of fraud.

26. The registration of transfers may be suspended at such times and for such period as the Directors may from time to time determine provided always that such registration shall not be suspended for more than thirty days in any year. The Company shall give prior notice of such closure as may be required to any stock exchange upon which the shares of the Company may be listed, stating the period and the purpose or purposes of such closure. Suspension of registration
27. Nothing in this Constitution shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person. Renunciation of allotment

TRANSMISSION OF SHARES

28. (1) In the case of the death of a Member whose name is entered in the Register of Members, the survivor or survivors where the deceased was a joint-holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares. Survivor, executors or administrators entitled to shares of a deceased Member
- (2) In the case of the death of a Member who is a Depositor, the survivor or survivors where the deceased was a joint-holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased Member, shall be the only persons recognised by the Company as having any title to his interest in the shares.
- (3) Nothing in this article shall release the estate of a deceased holder from any liability in respect of any share solely or jointly held by him.
29. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a Member whose name is entered in the Register of Members, and any guardian of an infant becoming entitled to the legal title in a share and whose name is entered in the Register of Members, and any person as properly has the management of the estate of a Member whose name is entered in the Register of Members and who is mentally disordered and incapable of managing himself or his affairs may, upon such evidence being produced as may from time to time properly be required by the Directors and subject as hereinafter provided, elect either to be registered himself as holder of the share or transfer the share to some other person, but the Directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by a Member. Transmission of shares

- 30. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the Company a notice in writing in a form approved by the Directors signed by him stating that he so elects. If he shall elect to transfer the share to another person he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the event upon which transmission took place had not occurred and the notice or transfer were a transfer signed by the person from whom the title by transmission is derived.

Requirements regarding transmission of shares
- 31. A person becoming entitled to a share by transmission shall be entitled to receive and give a discharge for the same dividends and be entitled to the other advantages to which he would be entitled if he were the Member in respect of the share, except that he shall not, before being registered as a Member in the Register of Members or before his name shall have been entered in the Depository Register in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to General Meetings.

Rights of persons entitled to a share by transmission
- 32. The Directors may at any time give notice requiring any person entitled to a share by transmission to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days the Directors may thereafter withhold payment of all dividends, or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Person entitled may be required to register or transfer share
- 33. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any shares, such fee not exceeding \$2 as the Directors may from time to time require or prescribe.

Fee for registration of probate, etc

CALLS ON SHARES

- 34. The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine.

Amounts and periods
- 35. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be required to be paid by instalments.

When made
- 36. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom it is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight per cent per annum as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

Interest on overdue calls

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| 37. | Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date shall for the purposes of this Constitution be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable, and in case of non-payment all the relevant provisions of this Constitution as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified. | On allotment |
| 38. | The Directors may, on the issue of shares, differentiate between the holders as to the amount of calls to be paid and the times of payment. | Directors may differentiate between holders |
| 39. | The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish, so far as the same shall extend, the liability upon the shares in respect of which it is made, and upon the moneys so received or so much thereof as from time to time exceed the amount of the call then made upon the shares concerned, the Company may pay interest at such rate not exceeding eight per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits. | Payment in advance of calls |
| 40. | The Directors may apply all dividends which may be declared in respect of any shares in payment of any calls made or instalments payable and which may remain unpaid in respect of the same shares. | Lien on dividends to pay call |

LIEN AND FORFEITURE

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| 41. | The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) registered in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amount as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. | Company's lien |
| 42. | For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit but no sale shall be made until such time as the moneys owing to the Company are presently payable and until a notice in writing stating the amount due and demanding payment and giving notice of intention to sell in default shall have been served in such manner as the Directors shall think fit on such Member or the person (if any) entitled to effect a transmission of the shares and who shall have produced to the Company satisfactory evidence of such capacity and default in payment shall have been made by him or them for fourteen days after such notice. Provided always that if a Member shall have died or become mentally disordered and incapable of managing himself or his affairs or bankrupt and no person shall have given to the Company satisfactory proof of his right to effect a transmission of the shares held by such Member the Directors may exercise such power of sale without serving any such notice. | Notice to pay the amount due, and sale on non-compliance therewith |
| 43. | Upon any sale being made by the Directors of any shares to satisfy the lien of the Company thereon the proceeds shall be applied first in the payment of the costs of such sale, next in satisfaction of the debt, obligation, engagement or liability of the Member to the Company and the residue (if any) shall be paid to the Member whose shares have been forfeited or as he shall direct or to his executors, administrators or assigns. | Application of sale proceeds |

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| 44. | A statutory declaration in writing that the declarant is a Director and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository or its nominee (as the case may be)) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share. | Title to shares forfeited or surrendered or sold to satisfy a lien |
| 45. | In the event of a forfeiture of shares or a sale of shares to satisfy the Company's lien thereon the Member or other person who prior to such forfeiture or sale was entitled thereto shall be bound to deliver and shall forthwith deliver to the Company the certificate or certificates held by him for the shares so forfeited or sold. | Certificate of shares to be delivered to the Company |
| 46. | If a Member fails to pay any call or any part thereof on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. | If call or instalment not paid, notice may be given |
| 47. | The notice shall name a further day (not earlier than the expiration of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited. | Form of notice |
| 48. | If the requirements of such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter before all payments required by the notice have been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder. | If notice not complied with shares may be forfeited |
| 49. | A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto, or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, the Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such person as aforesaid. | Sale of shares forfeited |

- 50. A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at eight per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part.

Rights and liabilities of Members whose shares have been forfeited or surrendered
- 51. The provisions of this Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time as if the same had been payable by virtue of a call duly made and notified.

Forfeiture applies to non-payment of call due at fixed time

ALTERATION OF CAPITAL

- 52. Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued, any share in the Company may be issued with such preferred, deferred or other special, limited or conditional rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, or which do not confer voting rights, as the Company may from time to time by Ordinary Resolution or, if required by the Act, by Special Resolution determine (or, in the absence of any such determination, but subject to the Act, as the Directors may determine) and subject to the provisions of the Act, the Company may issue preference shares which are, or at the option of the Company are, liable to be redeemed.

Rights and privileges of new shares
- 53. (1) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the listing rules of the Singapore Exchange Securities Trading Limited, all new shares shall before issue be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as far as the circumstances admit, to the number of the existing shares to which they are entitled. In offering such new shares in the first instance to all the then holders of any class of shares the offer shall be made by notice specifying the number of shares offered and limiting the time within which the offer if not accepted will be deemed to be declined and after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company and the Directors may as they think most beneficial to the Company dispose of any such new shares which by reason of the proportion borne by them to the shares held by holders entitled to any such offer or by reason of any other difficulty in apportioning the same cannot, in the opinion of the Directors, be conveniently offered under this article.

Issue of new shares to Members

- (2) Notwithstanding article 53(1) but subject to article 8(3), the Company may by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:–
- (a) issue shares of the Company (“shares”) whether by way of rights, bonus or otherwise and/or 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) warrants, debentures or other instruments convertible into shares; and
 - (b) (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force, provided that:–
 - (i) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited;
 - (ii) in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance is waived by the Singapore Exchange Securities Trading Limited) and this Constitution; and
 - (iii) (unless revoked or varied by the Company in General Meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).
54. Except so far as otherwise provided by the conditions of issue or by this Constitution, all new shares shall be subject to the provisions of the Act and this Constitution with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.
55. (1) The Company may by Ordinary Resolution:–
- (a) consolidate and divide all or any of its shares;
 - (b) subdivide its shares or any of them (subject nevertheless to the provisions of the Act and this Constitution) provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and

New shares otherwise subject to provisions of the Act and this Constitution
Power to consolidate, subdivide, redenominate and convert shares

(c) subject to the provisions of this Constitution and the Act, convert its share capital or any class of shares from one currency to another currency.

(2) The Company may by Special Resolution, subject to and in accordance with the Act, convert one class of shares into another class of shares.

56. The Company may by Special Resolution reduce its share capital, or any other undistributable reserve in any manner and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to this Constitution and the Act, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.
- Power to reduce capital

CONVERSION OF SHARES INTO STOCK

57. The Company may by Ordinary Resolution convert any paid-up shares into stock, and may from time to time by like resolution re-convert any stock into paid-up shares of any denomination.
- Conversion of shares into stock and re-conversion
58. The holders of stock may transfer the same or any part thereof in the same manner and subject to the same articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit; but the Directors may from time to time fix the minimum number of stock units transferable and restrict or forbid the transfer of fractions of that minimum.
- Transfer of stock
59. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.
- Rights of stockholders
60. The provisions of this Constitution which are applicable to paid-up shares shall, so far as circumstances will admit, apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".
- Shares/stock

2. RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING

GENERAL MEETINGS

61. (1) Save as otherwise permitted under the Act, an Annual General Meeting shall be held once in every year, at such time (within a period of not more than 15 months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. Annual General Meeting
- (2) All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.
62. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings shall also be convened by such requisition or, in default, may be convened by such requisitionists, in accordance with the provisions of the Act. If at any time there are not within Singapore sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors. Calling Extraordinary General Meetings

NOTICE OF GENERAL MEETINGS

63. (1) Any General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company shall be called by at least twenty-one days' notice in writing and any Annual General Meeting and any other Extraordinary General Meeting by at least fourteen days' notice in writing. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the General Meeting is to be held and shall be given in the manner hereinafter mentioned to such persons as are under the provisions herein contained and the Act entitled to receive such notices from the Company; Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:— Notice of General Meetings
- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the Members having a right to vote at that meeting.

Provided also that the accidental omission to give notice to, or the non-receipt by any person entitled thereto, shall not invalidate the proceedings at any General Meeting.

At least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to any stock exchange upon which the shares of the Company may be listed.

- (2) Notice of every General Meeting shall be given to:–
- (a) every Member;
 - (b) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the General Meeting; and
 - (c) the Auditor for the time being of the Company.
64. (1) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member. Contents of notice
- (2) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
- (3) In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of the business; and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect.
65. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:– Routine business
- (a) declaring dividends;
 - (b) considering and adopting the financial statements, the Directors' statement, the Auditor's report and other documents required to be attached to the financial statements;
 - (c) appointing or re-appointing the Auditor and fixing the remuneration of the Auditor or determining the manner in which such remuneration is to be fixed; and
 - (d) appointing or re-appointing Directors in place of those retiring by rotation or otherwise and fixing the remuneration of the Directors.
66. Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. Special business
- PROCEEDINGS AT GENERAL MEETINGS**
67. No business shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, five Members present in person or by proxy shall form a quorum. Quorum
68. If within half an hour from the time appointed for the General Meeting (or such longer interval as the Chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Adjournment if quorum not present

Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following that public holiday) at the same time and place, or to such other day and at such other time and place as the Directors may determine, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the Members present in person or by proxy shall be deemed to be a quorum.

69. The Chairman, if any, of the Directors shall preside as Chairman at every General Meeting. If there be no such Chairman or if at any General Meeting he be not present within fifteen minutes after the time appointed for holding the meeting or be unwilling to act, the Members present shall choose some Director to be Chairman of the meeting or, if no Director be present or if all the Directors present decline to take the chair, one of their number present to be Chairman. Chairman
70. The Chairman may, with the consent of any General Meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a General Meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a General Meeting is adjourned for thirty days or more or sine die, notice of the adjourned meeting shall be given as in the case of the original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned General Meeting. Adjournment
71. (1) If required by the listing rules of any stock exchange upon which the shares of the Company may be listed, all resolutions at General Meetings shall be voted by poll (unless such requirement is waived by such stock exchange). Mandatory polling
- (2) Subject to article 71(1), at any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll be (before or on the declaration of the result of the show of hands) demanded:–
- (a) by the Chairman; or
 - (b) by at least five Members present in person or by proxy and entitled to vote thereat; or
 - (c) by any Member or Members present in person or by proxy and representing not less than five per cent of the total voting rights of all the Members having the right to vote at the General Meeting; or
 - (d) by a Member or Members present in person or by proxy, holding shares conferring a right to vote at the General Meeting, being shares on which an aggregate sum has been paid up equal to not less than five per cent of the total sum paid up on all the shares conferring that right.

A demand for a poll made pursuant to this article 71(2) shall not prevent the continuance of the General Meeting for the transaction of any business, other than the question on which the poll has been demanded. Unless a poll be so demanded (and the demand be not withdrawn) a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll may be withdrawn.

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| 72. | Where a poll is taken, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the General Meeting. The Chairman may (and, if required by the listing rules of any stock exchange upon which the shares of the Company may be listed or if so requested by the meeting, shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll. | Taking a poll |
| 73. | If any votes be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same General Meeting or at any adjournment thereof and not in any case unless it shall in the opinion of the Chairman be of sufficient magnitude. | Votes counted in error |
| 74. | In the case of an equality of votes, whether on a poll or on a show of hands, the Chairman of the meeting at which the poll or show of hands takes place shall be entitled to a casting vote. | Chairman's casting vote |
| 75. | A poll on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the General Meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately. | Time for taking a poll |
| 76. | After the Chairman of any meeting shall have declared the General Meeting to be over and shall have left the chair no business or question shall under any pretext whatsoever be brought forward or discussed. | End of General Meeting |

VOTES OF MEMBERS

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| 77. | (1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to article 9, each Member entitled to vote may vote in person or by proxy. Every Member who is present in person or by proxy shall:- | Voting rights of Members |
| | (a) on a poll, have one vote for every share which he holds or represents; and | |

- (b) on a show of hands, have one vote, provided that:–
 - (i) in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands; and
 - (ii) in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.

For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company.

- (2) Save as otherwise provided in the Act:–
 - (a) a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and
 - (b) a Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
- (3) In any case where a Member is a Depositor, the Company shall be entitled and bound:–
 - (a) to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and
 - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by that Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

- (4) The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.
78. Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any General Meeting or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation would exercise if it were an individual Member and such corporation shall for the purpose of this Constitution (but subject to the Act) be deemed to be present in person at any such General Meeting if a person so authorised is present thereat. Corporations acting by representatives
79. Where there are joint holders of any share any one of such persons may vote and be reckoned in a quorum at any General Meeting either personally or by proxy as if he were solely entitled thereto and if more than one of such joint holders be so present at any General Meeting that one of such persons so present whose name stands first in the Register of Members or (as the case may be) the Depository Register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this article be deemed joint holders thereof. Voting rights of joint holders
80. Subject to the provisions of this Constitution every Member shall be entitled to be present and to vote at any General Meeting either personally or by proxy and to be reckoned in a quorum in respect of any share or shares upon which all calls due have been paid. Rights to vote
81. No objection shall be raised to the qualification of any voter except at the General Meeting or adjourned General Meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. Objections
82. On a poll votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. Votes on a poll
83. (1) An instrument appointing a proxy shall be in writing and:– Execution of proxies
- (a) in the case of an individual shall be:–
- (i) signed by the appointor or his attorney if the instrument of proxy is delivered personally or sent by post; or
- (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and

- (b) in the case of a corporation shall be:–
 - (i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument of proxy is delivered personally or sent by post; or
 - (ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.

The Directors may, for the purposes of articles 83(1)(a)(ii) and 83(1)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor (which shall, for purposes of this paragraph include a Depositor) by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to article 85, failing which the instrument may be treated as invalid.

- (2) The Directors may, in their absolute discretion:–
 - (a) approve the method and manner for an instrument appointing a proxy to be authorised; and
 - (b) designate the procedure for authenticating an instrument appointing a proxy,

as contemplated in articles 83(1)(a)(ii) and 83(1)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether of a class or otherwise), article 83(1)(a)(i) and/or (as the case may be) article 83(1)(b)(i) shall apply.

- 84. A proxy need not be a Member. Proxy need not be a member
- 85. (1) An instrument appointing a proxy or the power of attorney or other authority, if any:– Deposit of proxies
 - (a) if sent personally or by post, must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the General Meeting; or
 - (b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the General Meeting,

and in either case not less than 72 hours before the time appointed for the holding of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) to which it is to be used and in default shall not be treated as valid.

- (2) The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in article 85(1)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), article 85(1)(a) shall apply.

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| 86. | An instrument appointing a proxy shall be deemed to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the General Meeting. | Rights of proxies |
| 87. | An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve. An instrument appointing a proxy shall, unless the contrary is stated therein be valid as well for any adjournment of the General Meeting as for the General Meeting to which it relates and need not be witnessed. | Form of proxies |
| 88. | A vote given in accordance with the terms of an instrument of proxy (which for the purposes of this Constitution shall also include a power of attorney) shall be valid notwithstanding the previous death or mental disorder of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the General Meeting or adjourned General Meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used. | Intervening death or mental disorder of principal not to revoke proxy |

3. RIGHTS OF SHAREHOLDERS IN RESPECT OF DIVIDENDS

DIVIDENDS

137. The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Declaration of ordinary dividend
138. The Directors may from time to time pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company. Interim dividend
139. No dividend shall be paid otherwise than out of profits. Dividend only out of profits
140. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:– Application and apportionment of dividends
- (a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.
- For the purposes of this article, an amount paid or credited as paid on a share in advance of a call is to be ignored.
141. Whenever the Directors or the Company in General Meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. Scrip Dividend Scheme
142. The Directors may retain any dividends or other moneys payable on or in respect of a share on which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists. Dividend may be retained
143. Any General Meeting declaring a dividend may direct payment of such dividend wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors. No valuation, adjustment or arrangement so made shall be questioned by any Member. Payment of dividend in specie

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| 144. Any dividend, interest or other moneys payable in cash on or in respect of shares may be paid by cheque, draft, warrant or Post Office order sent through the post directed to the registered address of the holder or in the case of joint holders, to the registered address of that one of the joint holders who is first named in the Register of Members or (as the case may be) the Depository Register or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque, draft, warrant or Post Office order shall be payable to the order of the person to whom it is sent. | Payment by post |
| 145. Every such cheque, draft, warrant or Post Office order shall be sent at the risk of the person entitled to the money represented thereby, and the Company shall not be responsible for the loss of any cheque, draft, warrant or Post Office order which shall be sent by post duly addressed to the person for whom it is intended. | Company not responsible for loss |
| 146. No unpaid dividend shall bear interest against the Company. | No interest |
| 147. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer. | No dividend before registration |
| 148. The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member or which any person under that article is entitled to transfer, until such person shall become a Member in respect thereof or shall duly transfer the same. | Power to retain dividends pending transmission |
| 149. The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date of the declaration of such dividend or the date on which such other moneys are first payable. | Unclaimed dividends |
| 150. A payment by the Company to the Depository of any dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment. | Payment to Depository good discharge |

RESERVES

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| 151. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and | Power to carry profit to reserve |
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pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also without placing the same to reserve carry forward any profits which they may think it not prudent to divide.

CAPITALISATION OF PROFITS AND RESERVES

152. (1) The Directors may, with the sanction of an Ordinary Resolution of the Company, including any Ordinary Resolution passed pursuant to article 53(2) (but subject to article 8(3)):- Power to capitalise profits
- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:-
- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided);
or
- (ii) (in the case of an Ordinary Resolution passed pursuant to article 53(2)) such other date as may be determined by the Directors,
- in proportion to their then holdings of shares; and/or
- (b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:-
- (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided);
or
- (ii) (in the case of an Ordinary Resolution passed pursuant to article 53(2)) such other date as may be determined by the Directors,
- in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.
- (2) The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue or capitalisation under article 152(1), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any

person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

- (3) In addition and without prejudice to the powers provided for by articles 152(1) and 152(2), the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue:–
- (a) be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting and on such terms as the Directors shall think fit; or
 - (b) be held by or for the benefit of non-executive Directors as part of their remuneration under article 91 and/or article 92(2) approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing.

