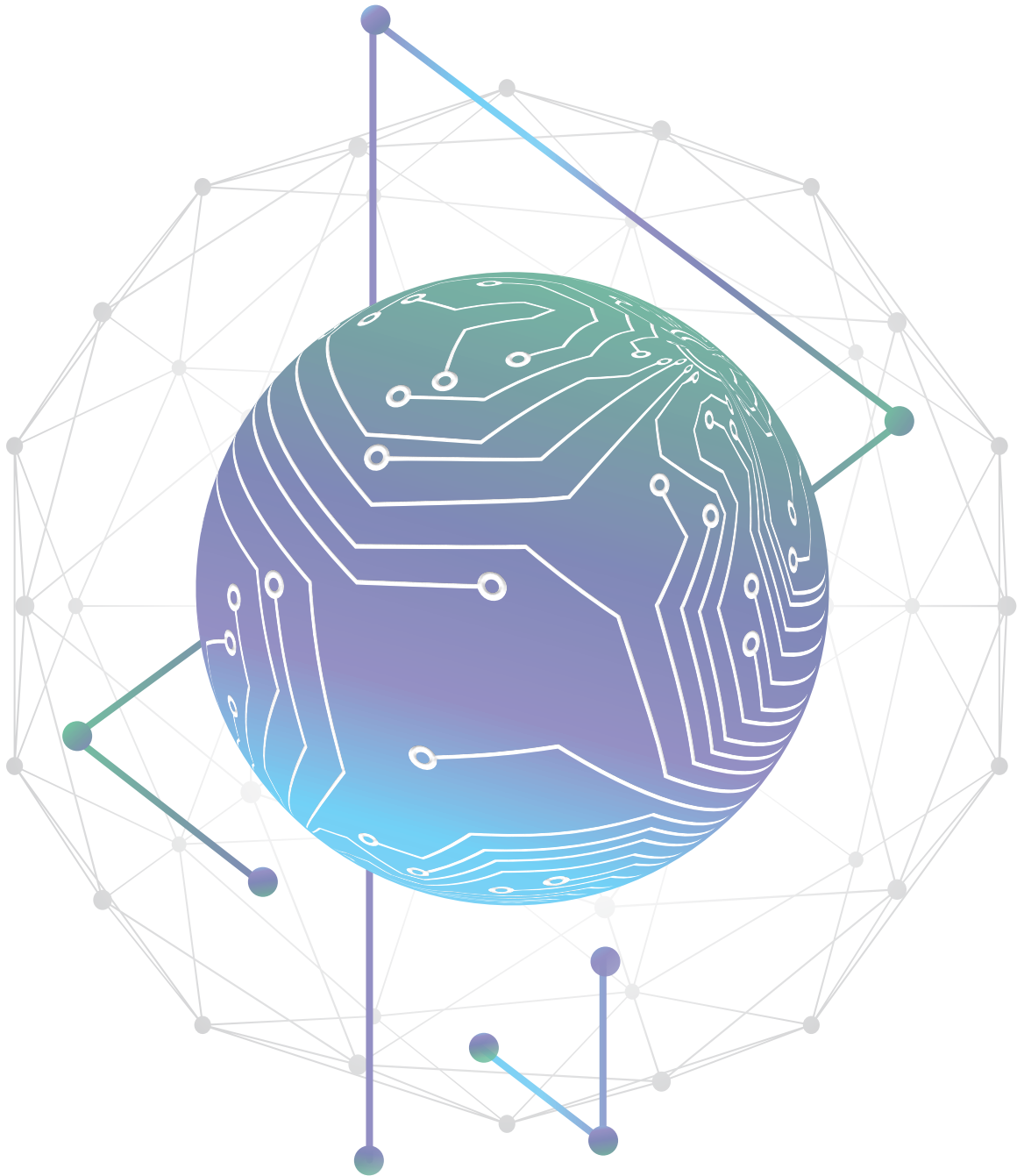




P R O C U R R I

ANNUAL
REPORT
2016



Shaping **Connectivity**
Defining **Convergence**

CHANGING THE WAY THE WORLD BUYS TECHNOLOGY



OUR CORE VALUES

EXCELLENCE

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

COMMITMENT

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

INNOVATION

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

INTEGRITY

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



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VISION

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

MISSION

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



Discover more about Procurri online:
www.procurri.com

WHO WE ARE

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

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





>100
Countries
under Coverage



14
Offices



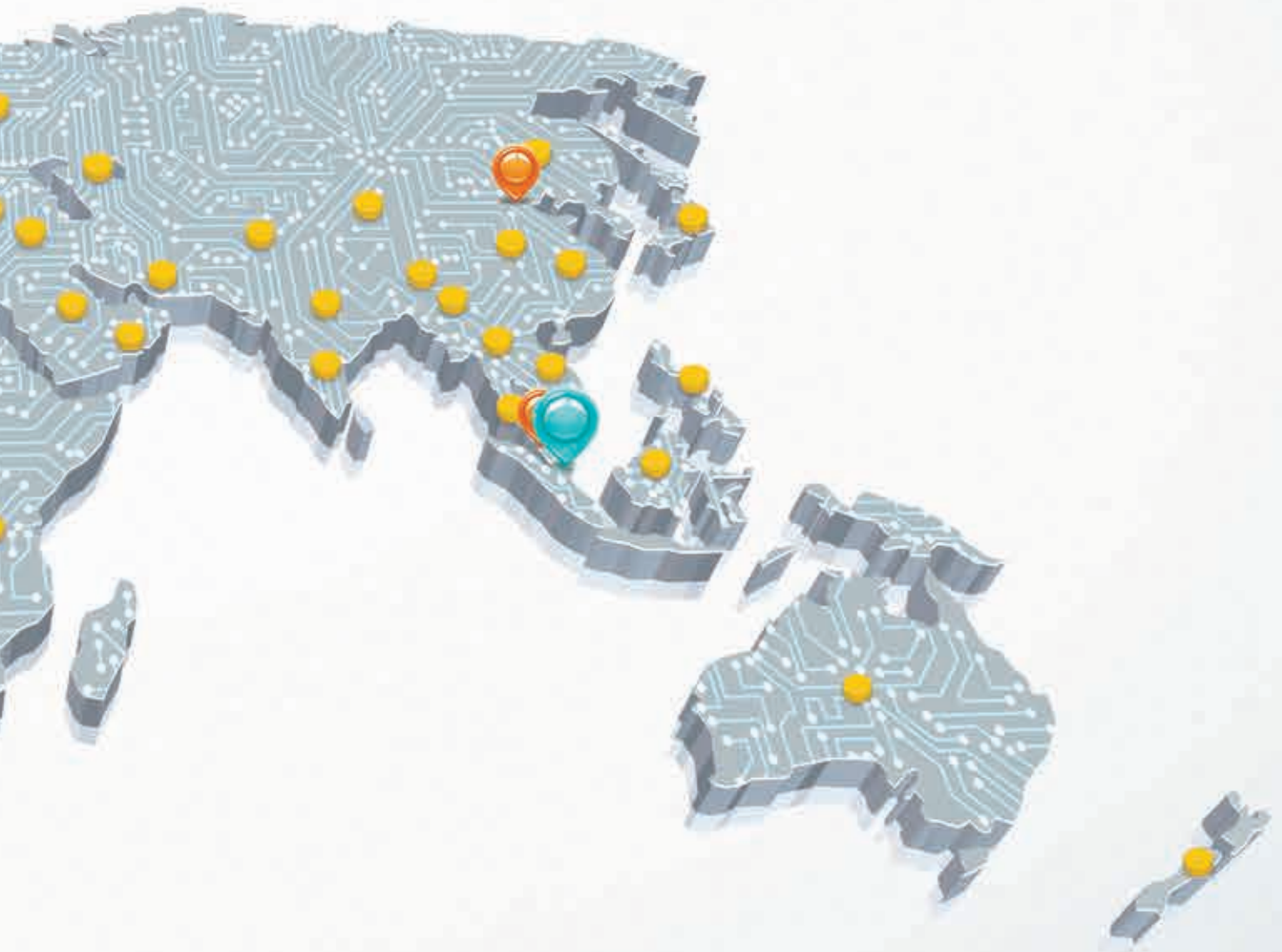
6
Regional
Warehouses



800
Local Warehouses*



>350
Employees



* Includes our partners' warehouses, which are stocked with our parts and equipment to serve our maintenance customers locally.

WHAT WE DO

IT DISTRIBUTION

HARDWARE

RESALE



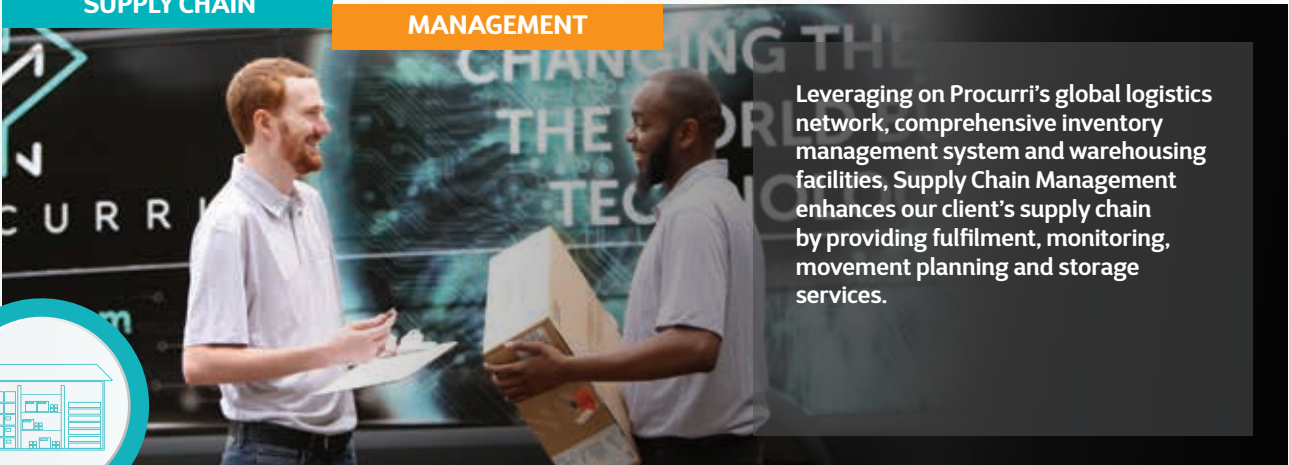
Based on Procurri's reverse logistics framework, Hardware Resale offers options to buy, sell or consign data centre equipment via asset trade-in and buy-back programmes.

Adopting a vendor-agnostic approach, we offer a wide range of servers, storage and networking products from major IT brands; whether it is new resale, pre-owned, hard-to-find or end-of-life hardware.



SUPPLY CHAIN

MANAGEMENT



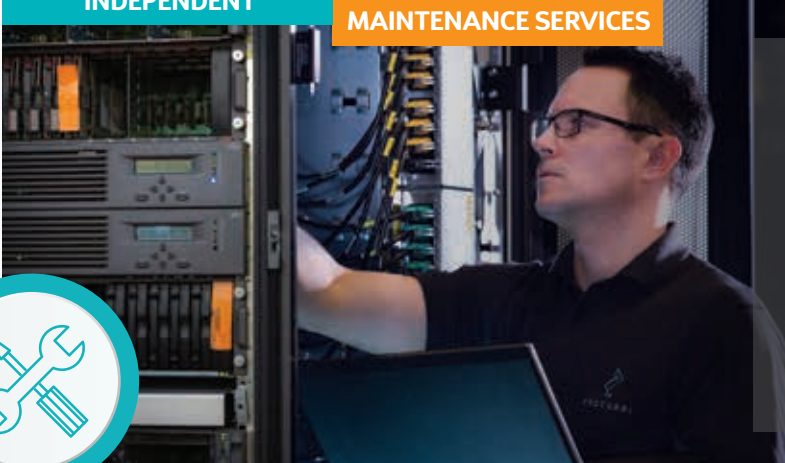
Leveraging on Procurri's global logistics network, comprehensive inventory management system and warehousing facilities, Supply Chain Management enhances our client's supply chain by providing fulfilment, monitoring, movement planning and storage services.



LIFECYCLE SERVICES

INDEPENDENT

MAINTENANCE SERVICES



Extending the maintenance support for out-of-warranty and end-of-life IT equipment, Independent Maintenance Services provides support services across 90 countries from a single point of contact.

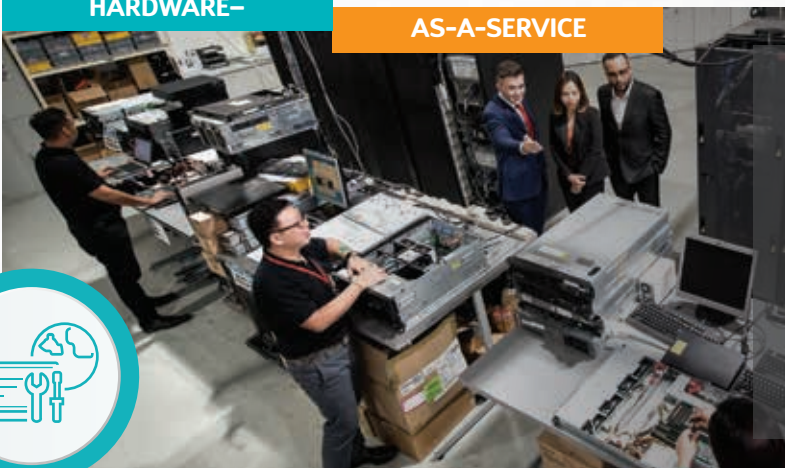
Backed by a team of technical professionals and 24x7 global support infrastructure, our customised maintenance solutions are independent of OEMs and certified to ISO 9001 Quality Management standards*.

* applicable to specific countries



HARDWARE-

AS-A-SERVICE



Hardware-as-a-Service offers an asset-light approach by providing on-demand computing resources through leasing or rental options, thereby converting the cost of IT equipment ownership from CAPEX to OPEX.

Leveraging on our extensive global inventory of multi-vendor equipment and parts, our customers can rapidly scale their computing power to address their immediate business needs.



IT ASSET

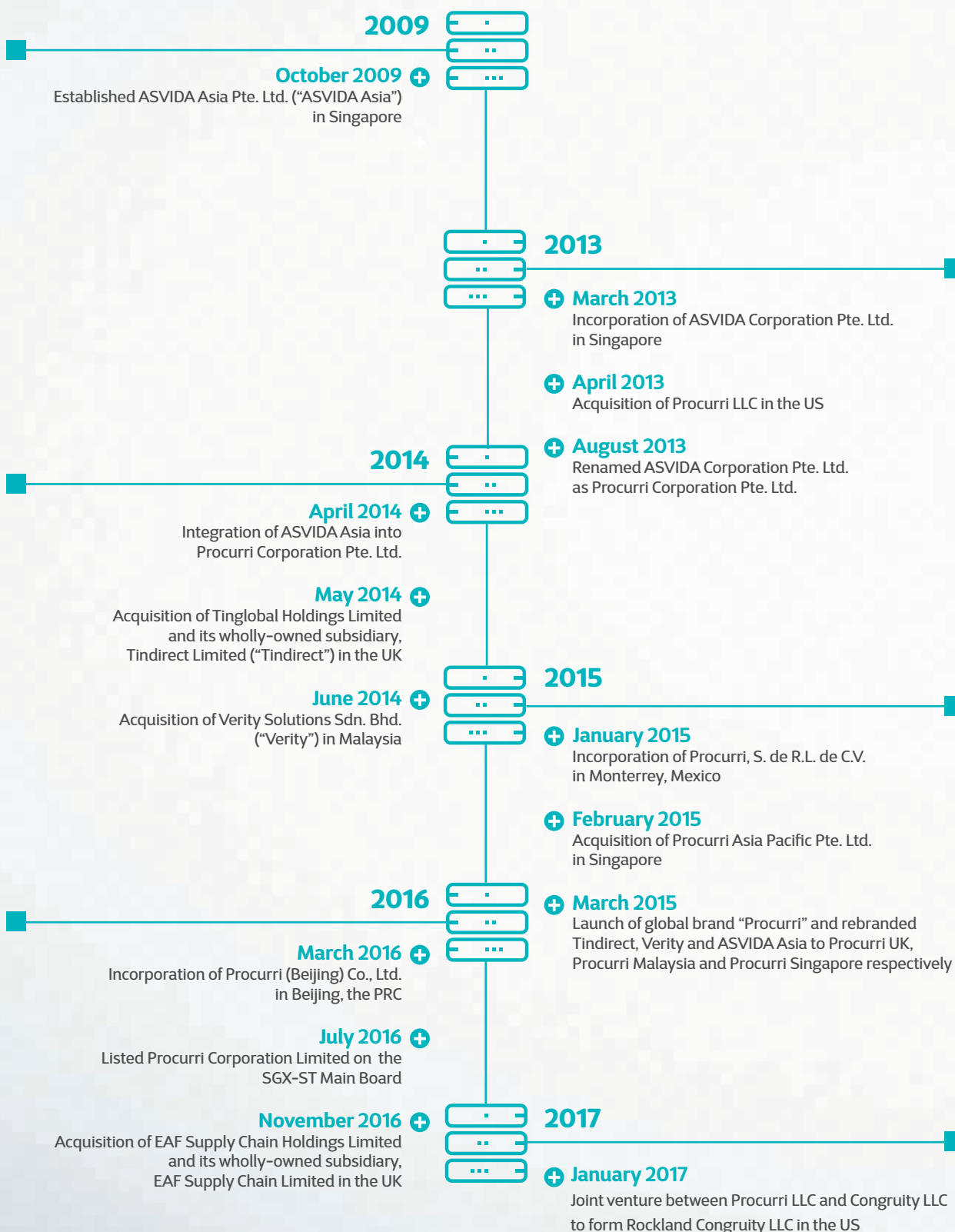
DISPOSITION



Tapping on a holistic suite of services that cover assessment, verification, recovery, refurbishment and reconfiguration, IT Asset Disposition can either prolong equipment lifespan through reuse, remarket assets via our Hardware Resale, or retire equipment with certified data sanitisation and e-waste disposal services; thus assisting our customers to achieve greater corporate and environmental sustainability.



OUR GROWTH JOURNEY





Supported by our extensive global inventory of multi-vendor equipment, Procurri delivers on-demand scalable infrastructure that is responsive to time-critical business needs.

MESSAGE FROM THE CHAIRMAN



DEAR SHAREHOLDERS,

On behalf of the board of directors (“Board”) of Procurri Corporation Limited (“Procurri” and together with its subsidiaries, the “Group”), I am pleased to present the inaugural annual report for the financial year ended 31 December 2016 (“FY2016”).

GLOBAL OUTLOOK: THE WAVE OF DIGITAL DISRUPTION

We witnessed the continuation of a disruptive digital transformation in 2016 – a year marked with dynamic and data-driven trends. Digital disruption is upheaving lives and businesses all around the world in both tech and non-tech companies alike. Data has effectively become the new driver of this digital transformation, which companies can choose to either embrace or face the risk of obsolescence. Being always ahead of the curve, Procurri is well-positioned to ride on this wave of digital disruption through changing the way the world buys technology.

SHIFTING SANDS IN THE M&A LANDSCAPE

Besides siring a myriad of technological innovations, the digitisation trend is a formidable driving force behind the sustained high interest in technology mergers & acquisitions (“M&A”) amidst depressed market conditions. According to a global report by EY dated October 2016, 91% of technology executives are confident that going forward, momentum in the technology M&A space will persist to follow a record-setting pace.

Of these 255 respondents, 50% intend to pursue deals in the next 12 months and 41% expect their growth to be inorganic.¹ To lock in a leading position in the competitive technology sector, we believe that M&A is no longer just an option. Instead, it is the most efficient solution to scale in today’s low-growth economy.

Furthermore, the world is beginning to witness a convergence of the third-party data centre maintenance (“TPM”), third-party network maintenance and secondary hardware markets.² Just in January 2017, two notable names in the data centre services industry announced their merger to emerge as a formidable secondary hardware and TPM provider, with a combined revenue of more than US\$500 million. The merged entity is now able to provide highly complementary product and service portfolios across an expanded geographical reach. Evidently, providers recognise the intrinsic benefits of strategic cross-selling if they could offer support across servers, storage, and network from a single touchpoint, and especially on a global scale. As such, we are seeing an increasing number of providers embarking on cross-border acquisition and partnership strategies in a bid to develop global capabilities.

¹ Liu, J. (2016) “Drive for innovation and growth sustains record technology M&A”, *Technology Capital Confidence Barometer, 15th edition*, EY (7, 8)

² Tenneson, C. (2016) *Competitive Landscape: Leveraging Third-Party Maintenance Providers for Data Center and Network Maintenance Cost Optimization, North America*, Gartner (5)

OUR PRUDENT EXPANSION PLAN IS GUIDED BY THE PRINCIPLE OF ACQUIRING CAPABILITIES AND MARKET SHARE THAT WOULD NATURALLY LEAD TO GROWING PROFITABILITY UNDER WISE EXECUTION.

In fact, 2016 marked the second consecutive year in which the value of cross-border deals hit a record – this time of US\$208 billion, translating into a 63% increase from 2015.³ This trend is buoyed by the fact that the current TPM market is highly fragmented. For instance, in North America, there are a few large TPM providers with more than US\$30 million in revenue, many with less than US\$10 million in revenue, and relatively few providers in between these extremes.⁴

So, what does this mean for Procurri?

FOR PROCURRI, THE TIME IS NOW

Since its inception, Procurri has registered the value of acquisitions in its bid to become a truly global company, with a series of successful acquisitions and integrations that has borne fruitful results. We continued this strategic growth journey with our acquisition of UK-based EAF Supply Chain Holdings Limited in November 2016 – merely four months from our listing on the SGX-ST Main Board, to ramp up Procurri's Independent Maintenance Services in Europe. Riding on our inorganic growth momentum, we established a joint venture with US-based Congruity LLC, a market leader for independent storage maintenance, in January 2017. We are confident that these acquisitions will yield significant cross-selling synergies and improved economies of scale, and are well-aligned with the prevailing phenomenon of increasing market convergence. Amidst the industry consolidation, our expanded capabilities also improve our chance of being recognised as the only global market leader that is listed.

Although the favourable macro trends prove that our aggressive M&A strategy is on the right track, we are not careless shoppers. Our prudent expansion plan is guided by the principle of acquiring capabilities and market share that would naturally lead to growing profitability under wise execution. Furthermore, given the abundance of opportunities as such in the market now, there can be no better time for execution.

For Procurri, the time is now –
LET THE RACE BEGIN.

PREPARING FOR THE BIG RACE

I have witnessed Procurri grow from a small company with a grand vision to disrupt the way the world procures technology, to a trusted global provider with a prominent brand presence in all three of its markets. I have no doubt that Procurri is ready to be at the vanguard of this race – to be a blue chip in the making. Undoubtedly, we would not have been able to achieve this without the commitment and contribution of the rest of our Board, our employees, and, most importantly, our valued shareholders. To express our sincere gratitude for our shareholders' loyal support, we are pleased to propose an inaugural one-tier tax-exempt final dividend of 0.475 Singapore cent per ordinary share.

Now that Procurri has exited its infancy stage and is ready to run its own race, I believe that it is an ideal time for me to hand over the reins of my chairmanship. As such, I will not be seeking re-election at the upcoming Annual General Meeting in April

and will let our Global Chief Executive Officer, Sean Murphy, take over as Executive Chairman. To ensure a seamless transition, I will be staying on as an advisor to the Group.

As such, thank you for your support, patience, and the honour of having worked with and for all of you. I am excited to see my talented and capable successor, Sean, lead the company to ascend to greater heights.



VESMOND WONG KOK KHUN
Non-Executive Chairman



³ Liu, J. (2016) 'Digital disruption propels industry shifts – and record annual value', *Global technology M&A report: October–December 2016 and year in review*, Issue 34, EY (24)

⁴ Tenneson, C. (2016) *Competitive Landscape: Leveraging Third-Party Maintenance Providers for Data Center and Network Maintenance Cost Optimization*, North America, Gartner (6)

MESSAGE FROM THE CEO

THE RACE IS ON.



On Your Mark...

At Procurri, our team rallies around the “Procurri Promise”. Built on the four core values of Integrity, Innovation, Commitment and Excellence, the “Procurri Promise” has been the cornerstone of our brand since its birth in 2013. This bold commitment to our customers is also how we differentiate ourselves from industry peers. Our customer-centric approach follows from our vision to fashion Procurri as the market-maker in all three of our business segments through delivering on our promise of perfection.

Naturally, having an ambition is just the start in the race to become the first truly global company in the hardware resale, independent maintenance services and IT asset disposition markets. There is more work to do to prepare Procurri for the win.

In July 2016, we became the inaugural technology IPO of the year on the Main Board of the SGX-ST. Apart from making history and cementing the credibility of our brand among many of our unlisted peers, this listing seeks to provide the required capital for M&As – one of our key ingredients to winning the race.

Following that blueprint, we completed our first post-listing acquisition in the UK within the same year. As a formidable sales dynamo, we recognise that we should channel our prospecting efforts towards targets that can strengthen our capabilities. The acquisition of EAF Supply Chain Holdings Limited (“EAF”) whom we have worked comfortably with for well over a decade, is a logical consolidation of one of our key suppliers into our value chain, and a strategic fit in our Independent Maintenance Services business. Besides allowing us to leverage on greater economies of scale, it endows us with significant cross-selling opportunities through an expansion of assets and customer bases across Europe, which will strengthen our Independent Maintenance Services business. Our priority now is therefore to rapidly and smoothly integrate and streamline EAF’s current operations into our own, in order to unlock its true

value and yield a positive impact on the Group’s operational performance.

On the opposite side of the Atlantic, we have likewise taken great strides towards achieving inorganic growth. In January 2017, we announced the formation of a joint venture with Massachusetts-based Congruity LLC (“Congruity”), a leading provider of third-party maintenance support services for refurbished data centre storage hardware. This partnership has resulted in the birth of Rockland Congruity LLC, in which we currently own a 51% stake, with an option to acquire the remaining 49% subsequently. We were attracted to this deal for two reasons: first, storage is the fastest-growing segment of the data centre hardware industry and second, Congruity’s operational expertise specifically in storage maintenance will augment our in-house offerings and allow us to ride this upward trend. As with EAF, our primary focus now is to ensure a seamless integration into the Group to harvest the abundant synergies from this strategic alliance.

With these two acquisitions, we are one step closer to securing greater recurring income streams from the Lifecycle Services segment to achieve better earnings visibility.

While we are on the right track for our inorganic expansion route, we have also managed to achieve organic growth against the backdrop of a low-growth economy.



OUR M&A FOCUS GOING FORWARD WILL THEREFORE BE ON ACQUIRING CAPABILITIES, ESPECIALLY IN LIFECYCLE SERVICES, WITH THE TARGET OF GROWING THIS SEGMENT'S CONTRIBUTION TO AT LEAST HALF OF OUR TOPLINE TO REACH WHAT WE TERM "STRATEGY COMPLETE".

Year-on-year, we recorded an increase of 10.5% in revenue for the full year 2016. For the same period, our Earnings Before Interest, Tax, Depreciation & Amortisation ("EBITDA") surged 10.2% after normalising for IPO expenses. The marked improvement in our sales can be attributed to our channel-centric focus and the increase in cross-selling opportunities derived from growing our Lifecycle Services segment. Our net profit after tax, however, was impacted by higher operating costs and investments to support our expansion plans. This year, we will keep a closer eye on our cost management while chasing growth, to insulate our bottomline performance from any unwarranted attrition.



Get Set...

Our M&A focus going forward will therefore be on acquiring capabilities, especially in Lifecycle Services, with the target of growing this segment's contribution to at least half of our topline to reach what we term "Strategy Complete". We are pleased to report that Asia is very close to achieving "Strategy Complete", and our priority now is to scale and replicate this successful business model in the Americas and Europe. To fund our future acquisitions, we will carefully consider the best combination of cash, debt and equity, to ensure we remain financially stable yet nimble to pounce on any other golden opportunities. As such, we seek our shareholders' trust and support in our judgment call for optimal execution of our M&A strategy.

At the same time, we can finally start to weave together the valuable pieces of resources that we have amassed from all over the world into a seamless global company. To achieve this, we will need to construct scalable and durable systems and infrastructure to align our global assets and harness their collective synergies. The capstone for this global network is our most important resource yet – our talented people. I am confident that we already have all the best players in our leadership positions around the world. My job, therefore, is to ensure that the orchestra plays well together.



Go!

When we reach "Strategy Complete" in the coming years, we will ideally reach the stage of self-reliance with a complete suite of in-house capabilities. As our financial performance starts to reflect the successes of our strategy and our position as a market-maker and leader of the race, we also look forward to sharing the rewards with our loyal shareholders.

What makes us so certain of winning this race?

It is because we are built to **LEAD THE PACK.**

A stylized teal signature of Sean Murphy.

SEAN MURPHY

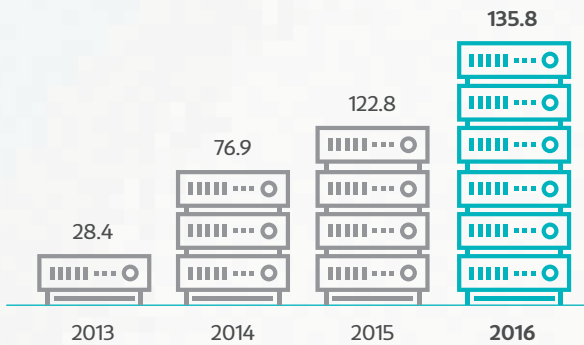
Executive Director & Global CEO



FINANCIAL HIGHLIGHTS

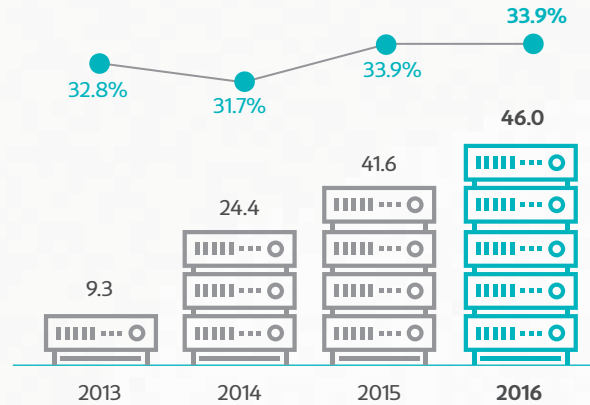
REVENUE (S\$M)

4-year CAGR: **68%**



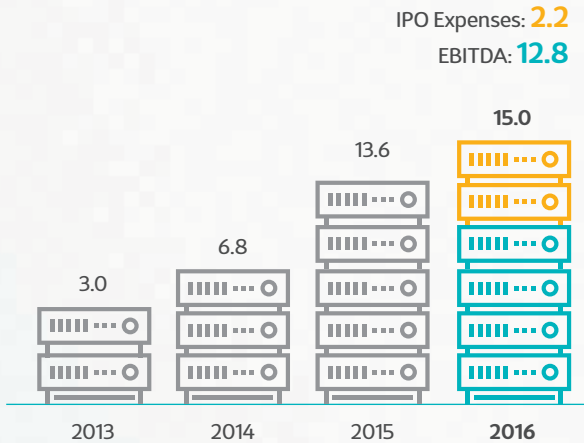
GROSS PROFIT (S\$M) and GROSS PROFIT MARGIN (%)

4-year CAGR: **70%**



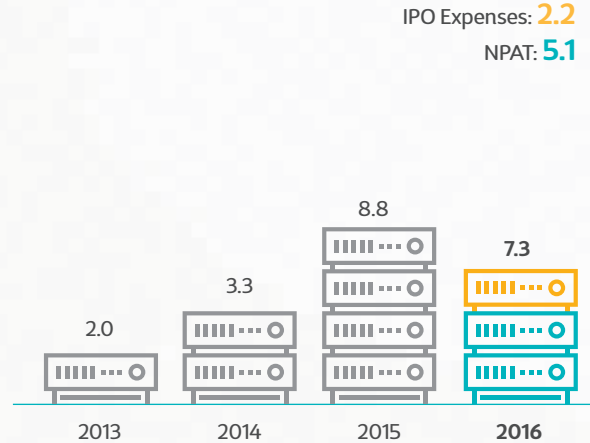
EBITDA (S\$M)

4-year CAGR: **71%**



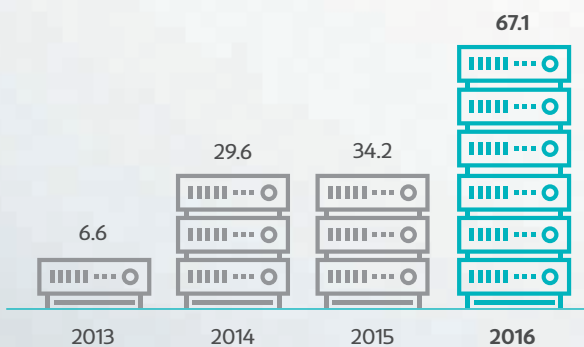
NET PROFIT AFTER TAX (S\$M)

4-year CAGR: **54%**



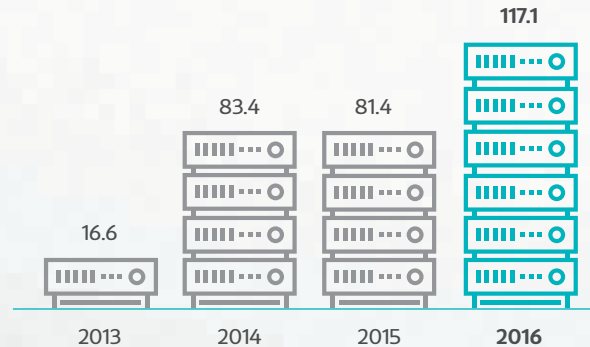
SHAREHOLDERS' EQUITY (S\$M)

4-year CAGR: **117%**

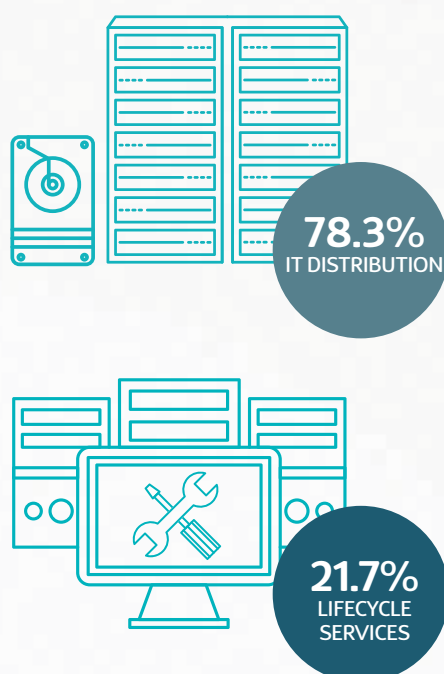


TOTAL ASSETS (S\$M)

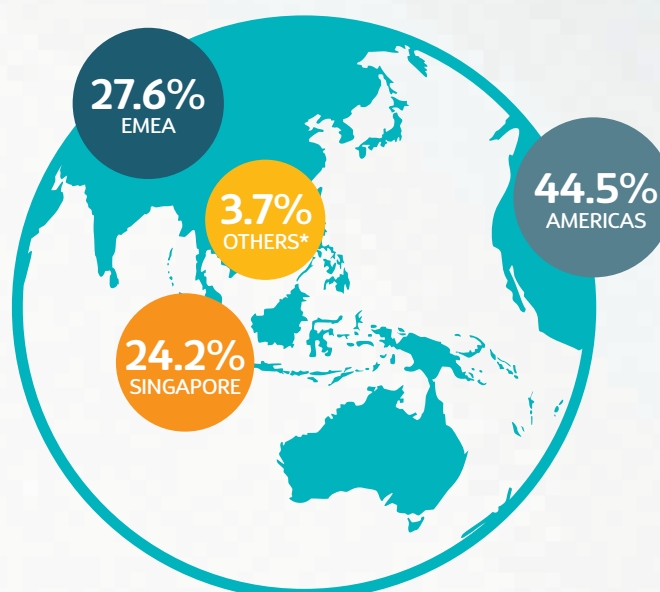
4-year CAGR: **92%**



REVENUE BY BUSINESS SEGMENT



REVENUE BY GEOGRAPHY



* Others comprise rest of Asia-Pacific

FINANCIAL HIGHLIGHTS

Revenue increased by 10.5% to S\$135.8 million in FY2016 from S\$122.8 million in FY2015, on the back of solid growth emerging from the Lifecycle Services segment. The stronger revenue reflected the success of the Group's strategy to focus on channel partners, such as value-added resellers (VAR) and system integrators, which cumulated in multiple contract wins. Most notably, our APAC region comprising Singapore and Others recorded revenue growth of 77.0%, in line with our "Asia First" focus.

Correspondingly, gross profit climbed 10.6% to S\$46.0 million in FY2016 from S\$41.6 million in FY2015. Gross profit margins were sustained at 33.9%, as the increase in revenue contribution from Lifecycle Services was offset by higher investments to expand this segment's market share.

Riding on a stronger topline, EBITDA in FY2016 amounted to S\$15.0 million before considering the one-time IPO expenses. This translated into a healthy 10.2% year-on-year increase.

Tempered by higher administrative costs mainly relating to our new listed status as well as headcount growth pegged to the Group's expansion plans, net profit after tax slipped by 41.4%. Excluding one-off IPO expenses, the net profit after tax in FY2016 recorded a narrower decline of 16.6% to S\$7.3 million.

IT DISTRIBUTION

On the IT Distribution front, revenue climbed 6.8%, from S\$99.6 million in FY2015 to S\$106.3 million in FY2016. S\$4.7 million of this increment was contributed by the newly acquired EAF Supply Chain Holdings Limited. During the year, the Group made significant progress in expanding its market share within the community of VARs and original equipment manufacturers (OEM). The channel-centric focus led to a 14.7% year-on-year surge in the segment's gross profit from S\$27.4 million in FY2015 to S\$31.5 million in FY2016. Accordingly, gross profit margin improved 2.0 percentage points to 29.6% in FY2016.

LIFECYCLE SERVICES

In view of this segment's attractive margins and greater income resilience and visibility in the long term, the Group concentrated its efforts on strengthening contribution from Lifecycle Services and clinched several strategic multi-year contracts across all its three key regions. This was reflected in the 26.6% growth in the segment's revenue, from S\$23.3 million in FY2015 to S\$29.4 million in FY2016. As the rapid expansion of the segment's business necessitated an increase in talent and sales personnel recruitment, the Group recorded a marginal gain of 2.8% in the segment's gross profit, from S\$14.2 million in FY2015 to S\$14.6 million in FY2016. Consequently, gross profit margin for the segment slid by 11.4 percentage points year-on-year, but still at a respectable 49.6%.

OPERATIONS REVIEW

Asia-Pacific (APAC)

Our APAC operations achieved laudable year-on-year growth in FY2016. Revenue surged 77.0% from S\$21.4 million in FY2015 to S\$37.9 million in FY2016, while gross profit grew in tandem by 63.9% to S\$18.5 million in FY2016.

We made headway on the IT Distribution front, securing market leadership in the region through the strategic expansion of our APAC hardware brokerage team. Our efforts have paid off, as exhibited by an almost two-fold increase in the segment's revenue, from S\$9.2 million in FY2015 to S\$25.3 million in FY2016. Through the regional expansion of our IT Distribution segment, we also identified a burgeoning demand for Hardware-as-a-Service (HaaS). In response, we initiated an innovative Hardware Resale offering that could provide flexible payment options similar to HaaS, bringing greater value to our customers and enhancing our competitive edge. This tactic was met with tremendous success as we managed to close a good-sized multi-country deal covering the Singapore and Hong Kong markets with a renowned cloud service provider. To further fortify this niche in our ecosystem, we established a specialised enterprise team to cater to the emerging need for pay-as-you-go models. We anticipate impressive results from this new team for the APAC market in 2017.



2 NEW ITAD ACCOUNT WINS



IT DISTRIBUTION REVENUE TRIPLED

Our Lifecycle Services continued to do well, with revenue climbing to S\$12.6 million in FY2016, mainly supported by our growing Independent Maintenance Services line of business. Given the promising market prospects and attractive cross-selling potential, we carved out IT Asset Disposition (ITAD) as a standalone sub-segment under Lifecycle Services to better focus on harnessing the market opportunities for optimal growth. We are pleased to report that we have secured strategic accounts with two OEM partners since then, to provide ITAD services for enterprise systems and high-volume low-cost products. Moving ahead, we intend to extend our ITAD coverage to more regional countries, including Malaysia and India, while concurrently expanding our suite of ITAD services to possibly include onsite erasure services and data sanitisation services for mobile devices.

REGIONAL SPOTLIGHT



Despite the challenging economic conditions, all our key markets recorded growth, primarily a success of our channel partner strategy for hardware resale. Through our newly-established hardware brokerage team, we can now synergise procurement efforts across APAC, allowing us to better streamline our hardware trading process for cost efficiencies. We have also achieved significant breakthroughs in new markets. In March 2016, we incorporated Procurri Beijing, following which we received the licence to bill in RMB shortly after, thus paving the way for our Beijing office to penetrate the domestic market. We clinched at least five deals in India during the year through our strategic partnership with a leading OEM, and we intend to expand our Lifecycle Services offerings in India to have ITAD alongside maintenance services. Our Singapore and Malaysia operations continue to ride on a steady growth momentum for maintenance services on top of an impressive recovery for their IT Distribution business, which began the year from a low base.

Europe, Middle East & Africa (EMEA)

Impacted by the depreciation of the British Pound arising from Brexit, revenue from our EMEA operations declined 9.7% from S\$41.4 million in FY2015 to S\$37.4 million in FY2016. Excluding the impact of currency depreciation, revenue from EMEA would have increased by 1.7% instead. Gross profit, dragged by a weaker performance from the IT Distribution segment due to a realignment in business, dipped to S\$8.8 million in FY2016.

With the incorporation of Procurri Beijing, we strategically realigned some of EMEA's Mainland China business to the new entity for better local relationship management. To fill in the revenue gap arising from this change, we refocused our energies and successfully ramped up our Lifecycle Services segment, which more than doubled in revenue from S\$2.2 million in FY2015 to S\$4.7 million in FY2016. During the year, we secured a few multi-year contracts, which offer long-term baseline revenue, higher margins, and greater income visibility. One of the contracts was inked with one of the world's largest pharmaceutical companies to provide independent maintenance services for over 600 assets in 27 countries, which would be delivered in partnership with our APAC team – another testimony to the authenticity and reliability of our global reach and rich expertise. Our success with winning such contracts ultimately resulted in a 160.8% hike in maintenance revenues, riding on a doubling in the number of assets supported and contracts won from 2015 till today. On the IT Distribution side, we continued to skew our focus and deepened our relationships with



premium channel partners such as global VARs and system integrators, to better align with the Group's channel-centric strategy. With additional efforts being pumped into growing the Lifecycle Services business, revenue from IT Distribution was impacted and decreased from S\$39.3 million in FY2015 to S\$32.7 million in FY2016.

Towards the end of 2016, we realigned our sales team into two key groups, namely a Products team and a Solutions team, in a bid to focus on role specialisation, gain market share, and support growth. While our Products team worked on honing their product expertise across all major vendors, our Solutions team is adept at managing relationships with channel resellers and global technology integrators. We also embarked on attaining selected vendor certifications that will allow us to access certain software and hardware products to complement our offerings. With this, we can provide greater value to our customers through an expanded portfolio of products and services via a single touchpoint.

EAF ACQUISITION

In November 2016, Procurri UK Limited ("Procurri UK") fully acquired EAF Supply Chain Holdings Limited ("EAF"). An on-demand provider of information technology spare parts, EAF strategically fits into the Group's Independent Maintenance Services business under its Lifecycle Services segment. As a long-standing supplier for Procurri UK's maintenance service needs, this acquisition will allow us to improve our service response time and extend our service coverage through the addition of EAF's three offices in the UK, 55 stock locations and multiple collect and drop-off points across Europe. Having been present in the EU for over 40 years, the EAF brand has gained the trust of reputable customers and established a strong presence in the UK. Currently, we are working on streamlining EAF's operations to prepare for a full integration into Procurri UK by 2018, to attain optimal cost efficiencies and valuable synergies, which would translate into a positive impact on our operational performance.

OPERATIONS REVIEW

THE AMERICAS

Our Americas operations turned in a decent performance in FY2016. Gross profit grew 9.1% from S\$17.2 million in FY2015 to S\$18.8 million in FY2016. This came on the back of a 0.8% increase in revenue from S\$60.0 million in FY2015 to S\$60.4 million in FY2016.

In line with the Group's efforts to strengthen the higher-margin Lifecycle Services segment, we ramped up efforts and successfully grew this segment by 36.1% to achieve S\$12.1 million in revenue in FY2016. To set the stage for this positive outcome, we expanded our sales force, conducted sales training, organised visits to prospects and rolled out a series of digital marketing campaigns. The culmination of our concentrated efforts, along with the inherent nature of our business, led to our final quarter contributing almost half of the entire year's revenue for our Lifecycle Services.

Recognising the power of the multiplier effect through our channel customers, we subsequently directed our sales efforts towards growing our footprint within the community of VARs, system integrators, OEMs and managed service providers. In line with this strategy, we established a sales office in Chicago next to one of the largest resellers in North America. Since then, our account with this reseller has grown rapidly and we are currently one of their vendors for end-of-life equipment.

We plan to scale this business model for other large reseller accounts. To aid this cause, we restructured our sales teams into two focal points, to achieve greater product specialisation through our Products team, and to develop and deepen strategic vendor relationships through our Channels team.



↑
36%
LIFECYCLE SERVICES REVENUE

↑
>50%
REVENUE GROWTH FROM 2 OEMS

In FY2016, our IT Distribution business was impacted by a major channel partner's divestiture of its product line and procurement policy changes. To mitigate this negative impact, our team sought out new initiatives with two other leading OEMs and was eventually rewarded with an impressive growth of above 50% in the respective revenue contributions from both OEMs. We also clinched a parts-and-equipment distribution partnership with one of the OEMs, which opens access to new customers and places us on the map as the certified, go-to company for this OEM's refurbished products. As a result, we managed to narrow the decline in revenue from IT Distribution to a marginal 5.4%, to achieve S\$48.3 million in FY2016.

Motivated by these successes, we intend to fortify more of such relationships with other strategic vendors to further harness channel-centric synergies. We continue to seek opportunities to enhance our infrastructure in the US in order to achieve the industry's gold standards in operations and distribution.

JOINT VENTURE WITH CONGRUITY



In January 2017, we forged a joint venture with Congruity LLC ("Congruity"), a leading Massachusetts-based provider of third-party maintenance support services for refurbished data centre storage hardware. The joint venture, Rockland Congruity LLC, is 51%-owned by our wholly-owned subsidiary Procurri LLC, with Congruity holding the remaining 49% stake. The synergistic alliance will allow us to capitalise on Congruity's engineering expertise, particularly in storage maintenance, which is further supported with certifications by various renowned IT brands such as EMC, NetApp, Hitachi, Brocade, VMware and HP. The joint venture is the Group's strategic response to the skyrocketing growth of the storage maintenance sector and opens up abundant cross-selling opportunities to Congruity's global network of over 1,000 partners, through our formidable sales team well-placed worldwide. By incorporating Congruity's established brand name and expertise in this niche area into our own menu of offerings, we will be able to reduce our outsourcing needs in this sector, which would potentially translate to improved margins.

GROWTH PROSPECTS

Global Data Centre Hardware Market 5-YEAR CAGR

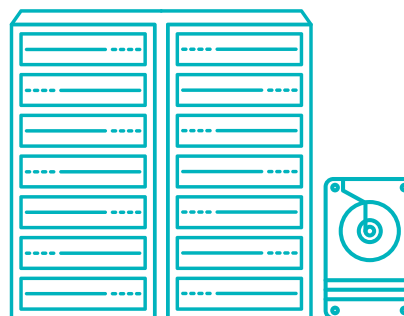
11.7%
US **\$293** BILLION (BY 2020)

Global IT Maintenance Market 5-YEAR CAGR

9.6%
US **\$42** BILLION (BY 2020)

Hardware Resale Market Revenue Forecast 5-YEAR CAGR

Global **Asia**
16.9% **24.9%**
US **\$34.8** BILLION (BY 2020)



Independent Maintenance Market Revenue Forecast 5-YEAR CAGR

Global **Asia**
15.7% **17.8%**
US **\$4.4** BILLION (BY 2020)



IT Asset Disposition Market Revenue Forecast 5-YEAR CAGR

Global **Asia**
21.5% **30.5%**
US **\$17.1** BILLION (BY 2020)





Procurri's world-class logistics framework is supported by an international, multi-lingual team of hardware specialists, simplifying procurement processes through a single touchpoint from any of our well-distributed offices worldwide.

BOARD OF DIRECTORS



VESMOND WONG KOK KHUN

Non-Executive Chairman

Mr Vesmond Wong is our Non-Executive Chairman and he was appointed to our Board on 1 April 2013. He is currently the Chairman and Group Chief Executive Officer of DeClout Limited (“DeClout”) and is responsible for the strategic planning, overall management and business development of the DeClout Group. As a serial entrepreneur, Mr Wong has founded and managed a few technology companies over the span of his 20 years’ career, and is well-known for his ability to spot industry trends ahead of disruption, as well as his ability to monetise ventures for successful exits. His recent successes include taking Procurri Corporation Limited to a S\$156 million IPO on the SGX-ST Main Board in July 2016 and the S\$75 million sale of Acclivis Technologies and Solutions Pte. Ltd. to CITIC Telecom in October 2016.

In the venture capital space, Mr Wong is an Investment Committee Member of the DeClout-National Research Foundation Early Stage Venture Capital Fund III where he selects disruptive companies that are synergistic to DeClout’s business for investment and mentorship. Currently, he also sits on the Sub-Committee on Future Economy (CFE) chaired by the Ministry of Trade and Industry, where he plays an active role in shaping the future of the IT landscape in Singapore and charting its growth and innovation in its next 5-10 years.

Prior to DeClout, Mr Wong founded Cavu Corp Pte. Ltd. (“Cavu Corp”), a leading IT infrastructure service provider that offered a full range of enterprise solutions, in April 2000. At Cavu Corp, he led his team from introducing the utility-on-demand business model for hardware, to setting up the largest leading independent maintenance outfit in Southeast Asia and building a major refurbished hardware depot in Asia. Mr Wong was also responsible for establishing the business of Vanda Systems (Singapore) Pte. Ltd. (“Vanda Systems”), a wholly-owned subsidiary of a Hong Kong listed company, in April 1995. He was instrumental in setting up Vanda Systems as the Southeast Asia regional headquarters. He was the Country General Manager for Vanda Systems since its inception till early 2000.

Mr Wong obtained his Diploma in Electronics and Communication from the Singapore Polytechnic.



SEAN MURPHY

Executive Director & Global CEO

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

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

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

BOARD OF DIRECTORS



LIM SWEE YONG

Non-Executive Director

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

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

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



HO CHEW THIM

Lead Independent Director

Mr Ho Chew Thim is our Lead Independent Director and he was appointed to our Board on 27 June 2016. He chairs our Remuneration Committee and is a member of our Audit and Nominating Committees. Mr Ho is an accountant by vocation with over 35 years of experience in financial management. He has held several senior financial positions in Singapore-listed companies and banks, which include China Water Holdings Pte. Ltd. (an associate of the SGX-ST listed CNA Group Ltd.), CNA Group Ltd., Achieva Limited, China World Trade Center Ltd. (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co., Ltd., Deutsche Bank (Singapore Branch), L & M Group Investments Limited, United Industrial Corporation Limited and United Overseas Bank Limited.

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

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



PETER NG LOH KEN

Independent Director

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

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



WONG QUEE QUEE, JEFFREY

Independent Director

Mr Jeffrey Wong is our Independent Director and he was appointed to our Board on 27 June 2016. He chairs our Nominating Committee and is a member of our Audit and Remuneration Committees. He has more than 15 years of experience in corporate transactional work covering the legal and investment banking fields. Mr Wong assumed his current position as the Head of Investment Banking at Religare Capital Markets (International) since 2014, with overall responsibility for the investment banking business of the Religare Capital Markets group outside India. Prior to this appointment, he held various senior positions within the Religare Capital Markets group since joining in 2010. Before Religare Capital Markets, Mr Wong worked at UBS AG and Allen and Gledhill LLP.

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

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

SENIOR MANAGEMENT TEAM



Seated left to right:
Mr Edward Flachbarth, Mr Sean Murphy, Mr Vincent Choo Joo Kwang

Standing left to right:
Mr Zachary Sexton, Mr Poh Yee Tiong, Mr Mathew Jordan

Procurri's senior management team includes Mr Sean Murphy, our Executive Director and Global CEO. For more details, please refer to page 19.

EDWARD FLACHBARTH

Global President

Mr Edward Flachbarth joined Procurri in July 2013 as interim Global President and has been appointed as our Global President since 2014. He is responsible for setting the strategic direction of our Group together with our Board. Mr Flachbarth began his career in 1990 with Sun Data Systems, Inc. where he held various roles before his promotion to Wholesale Manager. In 1998, Mr Flachbarth, together with our Global CEO and another partner, launched Canvas Systems, LLC. With the acquisition of Canvas Systems, LLC by Avnet, Inc. in 2012, Mr Flachbarth went on to join Avnet, Inc. as a Channels Manager and Operations Manager, where he was responsible for channel sales.

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

VINCENT CHOO JOO KWANG

Group Chief Financial Officer

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

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

POH YEE TIONG

Head of Asia-Pacific

Mr Poh Yee Tiong joined Procurri in January 2015 as Senior Vice President and was appointed as our Head of Asia-Pacific in 2016. He oversees our Group's operations in the Asia-Pacific region. Mr Poh brings with him more than 25 years of experience in the IT industry, and has extensive experience across sales, strategy, operations and delivery during his career with IBM Singapore Pte. Ltd..

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

ZACHARY SEXTON

Head of the Americas

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

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

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

MATHEW JORDAN

Head of Europe, Middle East & Africa

Mr Mathew Jordan joined Procurri in 2014 as Sales Director of Procurri UK Limited and has been appointed as our Head of EMEA since 2016. He oversees our Group's operations in EMEA. Mr Jordan has close to 20 years of working experience in product sales. He started as a junior broker with APEX Computers International Ltd, which subsequently broke out its brokerage arm to form Tindirect Limited, (now rebranded as Procurri UK Limited), before moving on to become a Broker Manager and subsequently, Sales Director. In 2005, Mr Jordan participated in a management buyout, following which he became an owner of the holding company, Tinglobal Holdings Limited (formerly Global Computer Holdings Ltd), which fully owns Procurri UK Limited.

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



Procurri empowers its channels & value chains to reduce their environmental footprint and manage electronic waste responsibly, through our five main offerings that form a cohesive IT ecosystem.

CORPORATE GOVERNANCE REPORT

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

This report describes the Company’s ongoing efforts since 20 July 2016, being the date of the initial public offering (the “**Listing Date**”) of the Company’s shares on the Mainboard of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), to 31 December 2016, in complying with the Code of Corporate Governance 2012 (the “**Code**”) and where applicable, the Listing Manual (the “**Listing Rules**”) of the SGX-ST. The Company has complied with the Code, except where otherwise explained. In areas where the Group has not complied with the Code, the Group will continue to assess its needs and implement appropriate measures accordingly.

(A) BOARD MATTERS

THE BOARD’S CONDUCT OF ITS AFFAIRS

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

1.1 The Board’s principal functions are to:

- (a) decide on matters in relation to the Group’s activities which are of a significant nature, including the approval of major investments and divestments;
- (b) oversee the business and affairs of the Company, establish, with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;
- (c) identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- (d) oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes;
- (e) assume responsibility for corporate governance;
- (f) set the Company’s values and standards (including ethical standards); and
- (g) consider sustainability issues as part of its strategic formulation.

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

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

CORPORATE GOVERNANCE REPORT

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

The number of Board and Board Committee meetings, and the record of attendance of each director for FY2016 is set out below:

Name	Board		Remuneration Committee		Nominating Committee		Audit Committee	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Wong Kok Khun	3	3	1	1*	1	1*	4	2*
Mr Thomas Sean Murphy	3	3	1	1*	1	1*	4	2*
Mr Lim Swee Yong	3	3	1	1	1	1	4	4
Mr Ng Loh Ken Peter	3	3	1	1	1	1	4	4
Mr Ho Chew Thim	3	3	1	1	1	1	4	4
Mr Wong Quee Quee, Jeffrey	3	3	1	1	1	1	4	4

Note:

* Attended as invitees

- 1.5 The Board has adopted a set of guidelines on matters that require its approval. Matters which are specifically reserved for the Board’s approval include those involving business plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends and other returns to shareholders.
- 1.6 An induction program is conducted for all new directors appointed to the Board which seeks to familiarise the directors with the Group’s businesses, board processes, internal controls and governance practices. The Company also provides the opportunity for the directors to attend seminars and training to enable them to keep pace with regulatory changes, where changes to regulations and accounting standards have a material bearing on the Company and to enable them to discharge their duties. The Company is responsible for arranging and funding the training of directors.
- 1.7 Each Board Committee is constituted with clear terms of reference to assist the Board in discharging its functions and responsibilities. The terms of reference are provided to each newly-appointed director.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

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

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

2.2 As the Non-executive Chairman of the Board is not an independent director, half of the Board is made up of independent directors. The Non-executive Chairman, Mr Wong Kok Khun is also the Chairman and Group Chief Executive Officer of DeClout Limited (“DeClout”, and together with its subsidiaries, the “DeClout Group”), a controlling shareholder of the Company.

2.3 The Board currently comprises:

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

- 2.7 The non-executive directors provide, amongst other things, strategic guidance to the Company, assistance to constructively challenge and develop strategy as well as review the performance of the management of the Company in meeting agreed goals.
- 2.8 Where necessary, the non-executive directors may meet without the presence of the management of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

- 3.1 The Chairman and the Global Chief Executive Officer's ("CEO") roles in the Company are assumed by different individuals. The Chairman, Mr Wong Kok Khun is non-executive while the role of the CEO is held by Mr Thomas Sean Murphy, who is the Executive Director and Global CEO.

There is a clear division of the roles and responsibilities between the Non-executive Chairman and CEO, which ensures a balance of power and authority at the top of the Company. The Board believes there is sufficient element of independence and adequate safeguards against a concentration of power in one single person.

- 3.2 The Chairman is responsible to, among others:
- (a) lead the Board to ensure its effectiveness on all aspects of its role;
 - (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
 - (c) promote a culture of openness and debate within the Board;
 - (d) ensure that the directors receive complete, adequate and timely information;
 - (e) ensure effective communication with shareholders;
 - (f) encourage constructive relations within the Board and between the Board and management;
 - (g) facilitate the effective contribution of non-executive directors in particular; and
 - (h) promote high standards of corporate governance.
- 3.3 The Board has appointed Mr Ho Chew Thim as the lead independent director. The lead independent director is available to shareholders where they have concerns for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer ("CFO") has failed to resolve or for which such contact is not appropriate.
- 3.4 Where necessary, the independent directors shall meet without the presence of the other directors, and the lead independent director shall provide feedback to the Chairman after such meetings.

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP

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

4.1 The Nominating Committee comprises:

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

The members of the Nominating Committee, including the Chairman of the Nominating Committee, are independent directors except for Mr Lim Swee Yong, who is the Head of Corporate Office of DeClout, a controlling shareholder of the Company.

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

- (a) reviewing and recommending the nomination or re-nomination of the directors having regard to the director's contribution and performance;
- (b) reviewing the composition of the Board, having regard to the future requirements of the Group, as well as the need for directors who, as a group, provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group;
- (c) developing a process for evaluation of the performance of the Board, its committees and the directors;
- (d) determining on an annual basis whether or not a director is independent;
- (e) in respect of a director who has multiple board representations on various companies, to review and decide whether or not such director is able to and has been adequately carrying out his duties as director, having regard to the competing time commitments that are faced by the director when serving on multiple boards and discharging his duties towards other principal commitments;
- (f) deciding whether or not a director is able to and has been adequately carrying out his duties as a director;
- (g) reviewing and approving any new employment of related persons and the proposed terms of their employment; and
- (h) reviewing board succession plans, as well as training and professional development programmes for the Board.

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

CORPORATE GOVERNANCE REPORT

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

At the forthcoming AGM, the following directors will retire:

- (1) Mr Wong Kok Khun, pursuant to Regulation 117; and
- (2) Mr Ho Chew Thim, Mr Ng Loh Ken Peter, Mr Wong Quee Quee, Jeffrey and Mr Lim Swee Yong, pursuant to Regulation 122.

Mr Wong Kok Khun will not be seeking re-appointment at the forthcoming AGM. Accordingly, he will retire as a director after the conclusion of the AGM. Each of Mr Ho Chew Thim, Mr Ng Loh Ken Peter, Mr Wong Quee Quee, Jeffrey and Mr Lim Swee Yong, being eligible, have offered themselves for re-election. Mr Ho Chew Thim will, upon re-election as a director, remain as the Chairman of the Remuneration Committee, and member of the Audit and Nominating Committees. Mr Ng Loh Ken Peter will, upon re-election as a director, remain as the Chairman of the Audit Committee, and member of the Nominating and Remuneration Committees. Mr Wong Quee Quee, Jeffrey will, upon re-election as a director, remain as the Chairman of the Nominating Committee, and member of the Audit and Remuneration Committees. Mr Lim Swee Yong will, upon re-election as a director, remain as member of the Audit, Nominating and Remuneration Committees.

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

- 4.3 The Nominating Committee’s assessment of the independence of a director is guided by the Code and takes into account factors, such as relationship with the Company, its related corporations, its 10% shareholders or its officers and whether these relationships interfere with his business judgement.
- 4.4 The Nominating Committee is of the view that, despite some of the directors having other board representations as described below, there are currently no compelling reasons to impose a cap on the number of board representations each director may hold since these directors are able to and have adequately carried out their duties as directors of the Company. Board meetings are planned and scheduled well in advance of the meeting dates.
- 4.5 The Board does not encourage the appointment of alternate directors. No alternate director is appointed to the Board.
- 4.6 In its search and selection process for new directors, among others, the Nominating Committee taps on the resources of the directors’ contacts and recommendations of potential candidates and appraises the candidates to ensure that they possess relevant experience and have the calibre to contribute to the Group and its businesses, having regard to the attributes of the existing Board and the requirements of the Group.

CORPORATE GOVERNANCE REPORT

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

Name of Directors and Board Membership	Date of First Appointment	Date of Last Re-Election	Audit Committee	Remuneration Committee	Nominating Committee
Wong Kok Khun <i>Non-Executive Chairman</i>	1 April 2013	-	-	-	-
Thomas Sean Murphy <i>Executive Director and Global CEO</i>	2 January 2014	-	-	-	-
Lim Swee Yong <i>Non-Executive Director</i>	27 June 2016	-	Member	Member	Member
Ho Chew Thim Lead <i>Independent Director</i>	27 June 2016	-	Member	Chairman	Member
Ng Loh Ken Peter <i>Independent Director</i>	27 June 2016	-	Chairman	Member	Member
Wong Quee Quee, Jeffrey <i>Independent Director</i>	27 June 2016	-	Member	Member	Chairman

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

BOARD PERFORMANCE

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

- 5.1 The Nominating Committee conducts an annual assessment of the performance of the Board as a whole and the Board Committees in view of the complementary and collective nature of directors' contributions. This process is conducted using a questionnaire designed to assess the performance of the Board and the Board Committees. The Board and Board Committees' performance will be evaluated by each director and the findings are collated for the final review by the Nominating Committee and the Board.
- 5.2 The Nominating Committee has established objective performance criteria, such as frequency of meetings and participation in strategic planning, risk management and internal controls to evaluate the Board's performance as a whole.
- 5.3 The Board reviews the assessment conducted by the Nominating Committee and where necessary makes changes to further improve the effectiveness of the Board. Following the review, the Board is of the view that the Board and the Board Committees operate effectively.

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

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

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

- 6.1 The Board is provided with adequate information prior to Board meetings and on an on-going basis. The Company circulates copies of the minutes of the meetings of all Board Committees and the Board to all members of the Board to keep them informed of on-going developments within the Group. The Board also has separate and independent access to management.
- 6.2 Information provided to the Board include financial management reports, reports on performance of the Group against the budget, papers pertaining to matters requiring the Board's decision, and updates on key outstanding issues, strategic plans and developments in the Group.
- 6.3 The directors have separate and independent access to the Company Secretaries. The Company Secretaries and/or their representatives attends all Board and Board Committees' meetings. The Company Secretaries administer and prepare minutes of Board and Board Committees' meetings and assist the Chairman in ensuring that Board procedures are adhered to and that applicable statutory and regulatory rules and regulations are complied with.
- 6.4 The appointment and removal of the Company Secretaries is subject to approval of the Board.
- 6.5 Where decisions to be taken require expert opinion or specialised knowledge, the directors, whether as a group or individually, may seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

- 7.1 The Remuneration Committee comprises:

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

The members of the Remuneration Committee, including the Chairman of the Remuneration Committee, are independent directors, except for Mr Lim Swee Yong.

CORPORATE GOVERNANCE REPORT

7.2 The key roles of the Remuneration Committee include:

- (a) recommending to the Board a framework of remuneration for the directors and the executive officers, and determining specific remuneration packages for each of them, with the recommendations of the Remuneration Committee submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and benefits in kind shall be covered by the Remuneration Committee;
- (b) conducting an annual review of the remuneration of employees related to the directors and substantial shareholders, with the assistance of expert advice inside and/or outside the Company if needed, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The Remuneration Committee will also review and approve any bonuses, pay increases and/or promotions for these employees and will also review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from participating in the review; and
- (c) administering the Procurri Employee Share Option Scheme (the "ESOS") and the Procurri Performance Share Plan (the "PSP").

7.3 If necessary, the Remuneration Committee shall seek expert advice on remuneration of directors and key management personnel. The Company has appointed Mercer (Singapore) Pte. Ltd. ("**Mercer**") as remuneration consultant to establish job sizes of the executive roles, including the executive director and key management personnel, and market data from the peer industry. There is no relationship between the Company and Mercer that will affect the independence and objectivity of Mercer.

LEVEL AND MIX OF REMUNERATION

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

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

CORPORATE GOVERNANCE REPORT

- 8.2 The Company has in place the long-term incentive schemes, including the ESOS and the PSP, that serve to motivate and reward the executive director and key management personnel, and better align their interests with that of the Company. The Company has not granted any share options so far under the ESOS. As at 31 December 2016, the Company has granted a total of 1,747,000 share awards pursuant to the PSP. The table below shows the share awards granted pursuant to the PSP during FY2016:

Date of grant of award	Number of shares which is the subject of the awards granted	Market price of the shares of the Company on date of grant S\$	Number of awards granted to directors and controlling shareholders (and their associates), if any
1 September 2016	1,747,000	0.4467	224,000

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

- 8.3 The non-executive directors receive directors' fees in accordance with their level of contribution and commensurate with their appointment, taking into account factors, such as responsibilities, effort and time spent for serving on the Board and Board Committees. The Company believes that the current remuneration of independent directors is at a level that will not compromise their independence.
- 8.4 The Company currently uses contractual provisions to reclaim incentive components of remuneration from the executive director and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company.

DISCLOSURE ON REMUNERATION

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

- 9.1 The Company has entered into a three-year service agreement with the CEO, Mr Thomas Sean Murphy, commencing 1 July 2016. The CEO's remuneration package under his service agreement comprises a basic salary component and a variable component which is the annual bonus based on the performance of the Group as a whole. The CEO does not receive directors' fees.

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

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

CORPORATE GOVERNANCE REPORT

- 9.2 A breakdown showing the level and mix of each individual director's remuneration paid/payable for FY2016 in bands of S\$250,000 is as follows:

Remuneration bands/Name of director	Salary (%)	Bonus (%)	Director's Fees ⁽¹⁾ (%)	Others (%)	Total (%)
(i) S\$250,000 to below S\$499,999					
Mr Thomas Sean Murphy	100	–	–	–	100
(ii) Below S\$250,000					
Mr Wong Kok Khun	–	–	100	–	100
Mr Lim Swee Yong ⁽²⁾	–	–	100	–	100
Mr Ho Chew Thim ⁽²⁾	–	–	100	–	100
Mr Ng Loh Ken Peter ⁽²⁾	–	–	100	–	100
Mr Wong Quee Quee Jeffrey ⁽²⁾	–	–	100	–	100

Notes:

- (1) For FY2016, the directors' fees will be pro-rated with effect from 1 July 2016 and to be paid upon shareholders' approval at the forthcoming AGM
 (2) Appointed as a director on 27 June 2016

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

- 9.3 Given the highly competitive condition of the industry that the Group operates in, it is in the best interest of the Group to maintain confidentiality of the names and remuneration details of its top 5 key executives (who are not directors or the CEO) of the Group. For FY2016, the remuneration bands (including any bonuses, allowances, options and share-based incentives) of each of the top 5 key executives (who are not directors or the CEO) of the Group are provided below:

Remuneration bands	Number of Executives
S\$500,000 to S\$749,999	1
S\$250,000 to S\$499,999	3
Below S\$250,000	1

The total remuneration, in aggregate, paid to the top 5 key executives of the Group (who are not directors or the CEO) for FY2016 is approximately S\$2,049,000.

CORPORATE GOVERNANCE REPORT

- 9.4 The Company does not have any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 in FY2016.
- 9.5 The remuneration of the executive director is linked directly to the Group's financial performance through a profit sharing scheme. The Group's incentive bonus is allocated based on the Group's financial performance and the senior management may be rewarded with business unit level bonus on achievement of the key performance indicators they are responsible for.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

- 10.1 In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects.
- 10.2 The Board keeps itself abreast and is kept informed by management of legislative and regulatory requirements.
- 10.3 The management currently provides the Board with appropriately detailed management reports of the Group's performance and position on a quarterly basis. This is supplemented by updates on matters affecting the financial performance and business of the Group, if such event occurs.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

- 11.1 The Board oversees management in the area of risk management and internal control systems. The Board regularly reviews the Company's business and operational activities to identify areas of significant risks, as well as take appropriate measures to control and mitigate these risks.
- 11.2 Management provides reports of risk management to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. Internal audit is outsourced to a third-party professional firm. The Company has a designated personnel (shared with DeClout) to assist management in the implementation of internal controls. The Audit Committee evaluates the findings of the external and internal auditors on the Group's internal controls annually.
- 11.3 The Group's internal controls are designed to provide reasonable assurance with regards to the keeping of proper accounting records, integrity and reliability of financial information, and physical safeguard of assets. Management takes into consideration the risks which the Group is exposed to, the likelihood of occurrence and the cost of prevention while designing internal controls.

CORPORATE GOVERNANCE REPORT

Based on:

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

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

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

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

AUDIT COMMITTEE

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

12.1 The Audit Committee comprises:

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

The members of the Audit Committee, including the Chairman of the Audit Committee, are independent directors except for Mr Lim Swee Yong.

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

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

CORPORATE GOVERNANCE REPORT

12.4 The key roles of the Audit Committee include:

- (a) assisting the Board in discharging its statutory responsibilities on financing and accounting matters;
- (b) reviewing significant financial reporting issues and judgments to ensure the integrity of the financial statements and any formal announcements relating to financial performance;
- (c) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- (d) reviewing the external auditors' audit plan and audit report, and the external auditors' evaluation of the system of internal accounting controls, as well as reviewing the Group's implementation of any recommendations to address any control weaknesses highlighted by the external auditors;
- (e) reviewing the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board, including that in connection with compliance with environmental laws and regulations;
- (f) reviewing the statements to be included in the annual reports concerning the adequacy and effectiveness of the risk management and internal controls systems, including financial, operational, compliance and information technology controls;
- (g) reviewing all interested person transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the latest audited NTA of our Group every quarter, and monitoring the procedures established to regulate interested person transactions, including ensuring compliance with the Group's internal control system and the relevant provisions of the Listing Rules, as well as all conflicts of interests to ensure that proper measures to mitigate such conflicts of interests have been put in place, and approving all interested person transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% of the value of the latest audited NTA of our Group, prior to such transactions being entered into;
- (h) reviewing the scope and results of the internal audit procedures, the implementation of recommendations by internal auditors, and at least annually, the adequacy and effectiveness of the internal audit function;
- (i) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- (j) appraising and reporting to the Board on the audits undertaken by the external auditors and internal auditors, and the adequacy of disclosure of information; and
- (k) making recommendations to the Board on the proposals to shareholders on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

CORPORATE GOVERNANCE REPORT

- 12.5 The Audit Committee has met with the external auditors and the internal auditors, in each case without the presence of the management, at least annually.
- 12.6 The Audit Committee reviews the independence of the external auditor annually. In the selection of suitable auditing firms, the Audit Committee takes into consideration several factors such as the adequacy of resources, experience of the accounting auditing firm, the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit and its ability to provide audit service to our foreign subsidiaries. The selected auditing firm based in Singapore is engaged as auditors for the Company, as well as our Singapore-incorporated subsidiaries.

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

The Audit Committee has reviewed the independence of the external auditors of the Company including the volume of non-audit services performed. The aggregate amount of fees paid to the external auditors of the Company and other member firms of EY Global in FY2016 are tabulated in the table below:

Fees Paid	S\$	%
Audit Services	203,000	82
Non-Audit Services	45,000	18
Total	248,000	100

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

- 12.7 The Group has implemented a whistle blowing policy. The whistle blowing policy will provide a well-defined and accessible channels in the Group through which the employees of the Group may raise concerns about improper conduct within the Group in writing or by email submission. The objectives of such a policy are to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action. There were no whistle blowing reports received for FY2016.
- 12.8 The Audit Committee is updated annually on any changes in accounting standards by the external auditor. This ensures that the Audit Committee is kept abreast of changes to accounting standards and issues which have a direct impact on the Group's financial statements. The Audit Committee conducted meetings in FY2016 during which results announcements, external audit report, internal audit report, independence of auditors, appointment of auditors and interested person transactions were reviewed, and the duties as described above were carried out.
- 12.9 No former partner or director of the Company's existing auditing firm is a member of the Audit Committee.

CORPORATE GOVERNANCE REPORT

INTERNAL AUDIT

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

- 13.1 The internal auditors' primary line of reporting is to the Chairman of the Audit Committee. The Group cooperates fully with the internal auditors in terms of allowing access to documents and information.
- 13.2 The Group outsourced its internal audit function to an internationally recognized third party professional firm, Crowe Horwath First Trust Risk Advisory Pte Ltd.
- 13.3 The Audit Committee is satisfied that the internal audit team is adequately resourced with persons with the relevant qualifications and experience.
- 13.4 The internal audit team is expected to meet the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.
- 13.5 The Audit Committee reviews annually the adequacy and effectiveness of the internal audit function.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

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

- 14.1 The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders of the Company, in compliance with the requirements set out in the Listing Rules.
- 14.2 Shareholders are given the opportunity to participate in, and vote at, general meetings and shareholders are informed of the rules, including the voting procedures that govern the general meetings of shareholders.
- 14.3 On 3 January 2016, the relevant legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. "Relevant intermediary" includes corporations holding relevant licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

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

- 15.1 The Company has a marketing and communications team who assists in facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns, as well as to keep the market and investors publicly apprised of the Group's major corporate developments and financial performance.
- 15.2 Information is disclosed in a timely manner to the shareholders through SGXNET and is also made available on the Company's website. The Company ensures fair access of information to all shareholders at the same time and does not practise selective disclosure of material information.
- 15.3 The Company maintains regular dialogue with shareholders and the investment community through analyst briefings, investor meetings, non-deal roadshows and at the general meetings. Analyst briefings are conducted for members of the investment community and media generally after each results announcement. Key management personnel, including the CEO and the CFO, are typically present in these briefings. The results announcement and the analyst briefings presentation are all published on SGXNET and are also made available on the Company's website, www.procurri.com.
- 15.4 Shareholders are given the opportunity to air their views at general meetings.
- 15.5 As stated in the Company's prospectus dated 12 July 2016, the Company intends to recommend and distribute dividends of 25.0% of its net profit after tax (excluding exceptional items) for FY2016. The Board, as announced in the Company's full year results announcement released via SGXNET on 21 February 2017, has recommended a final one-tier tax exempt dividend of 0.475 Singapore cent per share, which is approximately 25.9% of the Company's net profit after tax for FY2016, for shareholders' approval at the forthcoming AGM.

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

CONDUCT OF SHAREHOLDERS' MEETING

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

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

CORPORATE GOVERNANCE REPORT

- 16.2 Resolutions at general meetings are on each substantially separate issue. The Company avoids bundling resolutions unless they are interdependent and linked. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before they are voted on.
- 16.3 All directors are present at general meetings to address any questions that shareholders may have. The external auditors are also present to address shareholders' queries about the conduct of the audit and preparation and content of the auditors' report.
- 16.4 Minutes of the general meetings are made available to shareholders upon their request.
- 16.5 The Company intends to employ electronic polling at the forthcoming general meetings. Separate resolutions are proposed on each substantially separate issue. To ensure transparency in the voting process, the detailed results of all resolutions put to vote showing the number of votes cast for and against each resolution, and the respective percentages are tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced via SGXNET after the conclusion of the general meeting.

MATERIAL CONTRACTS

Save for the service agreement between the executive director and the Company and the transactions as disclosed in the "Interested Person Transactions" section below, there were no material contracts entered into by the Company and any of its subsidiaries involving the interests of the CEO, any director or controlling shareholders, either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the previous financial year.

DEALING IN SECURITIES

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

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

INTERESTED PERSON TRANSACTIONS

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

CORPORATE GOVERNANCE REPORT

Details of the interested person transactions from 20 July 2016 to 31 December 2016 are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) S\$'000
Purchases of IT Hardware and Equipment and Lifecycle Services from the DeClout Group		
Acclivis Technologies and Solutions Pte. Ltd.	N.A	620
Pacific Internet (S) Pte. Ltd.	N.A	1,559
Provision of IT Hardware and Equipment and Lifecycle Services to the DeClout Group		
TJ Systems (S) Pte. Ltd.	N.A	188
Performance share plan expenses charged by the DeClout Group		
DeClout Limited	124	N.A

The Company has a general mandate from shareholders for interested person transactions pursuant to Rule 920(2) of the Listing Rules which is effective until the forthcoming AGM to be held on 27 April 2017, and the Company is seeking the approval of shareholders for modification of, and the renewal of, the shareholders' mandate for interested person transactions at the forthcoming AGM. Please refer to the Appendix for further details.

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

The Company received net proceeds (after deducting IPO expenses of approximately S\$3.8 million) from the IPO of approximately S\$34.8 million (the "Net Proceeds"). As at the date of this Annual Report, the Net Proceeds have been utilised as follows:

Use of Proceeds	Amount S\$ million	Net Proceeds utilised S\$ million	Net Proceeds unutilised S\$ million
Merger and acquisitions, joint ventures and partnerships strategy	17.0	16.1	0.9
Enhancement of infrastructure	5.0	1.9	3.1
Repayment of loans from DeClout	6.1	6.1	-
Working capital purposes ⁽¹⁾	6.7	6.7	-
Total	34.8	30.8	4.0

Note:

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

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

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

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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 2016.

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 2016 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:

Wong Kok Khun
Thomas Sean Murphy
Lim Swee Yong
Ho Chew Thim
Ng Loh Ken Peter
Wong Quee Quee, Jeffrey

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

Name of directors	Direct interest		Deemed interest	
	At beginning of the financial year or date of appointment	At end of the financial year	At beginning of the financial year or date of appointment	At end of the financial year
The Company				
<i>Ordinary shares</i>				
Thomas Sean Murphy	-	500,000	-	33,995,000
Ho Chew Thim	-	100,000	-	-
<i>Share awards granted under Procurri Performance Share Plan</i>				
Thomas Sean Murphy	-	224,000	-	-

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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

Share options and awards

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

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

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

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

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

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

DIRECTORS' STATEMENT

Share options and awards (cont'd)

Procurri Corporation Performance Share Plan (the "Procurri PSP") (cont'd)

– directors of the Company and/or any of its subsidiaries, other than those who perform an executive function (subject to the rules of the Procurri PSP).

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

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

Grant date	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at beginning of the year	Number of shares which are the subject of the awards granted under the Procurri PSP granted during the year	Number of shares issued pursuant to the awards during the year	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at end of the year	Market price per share \$
2016					
1 September 2016	–	1,747,000	–	1,747,000	0.4467

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

Participants	Aggregate number of shares comprised in awards granted since the start of the plan to end of year	Number of shares comprised in awards granted during the year	Aggregate number of shares comprised in awards vested since the start of the plan to end of year	Aggregate number of shares comprised in awards outstanding as at end of year	Market price per share \$
<u>Directors</u>					
Thomas Sean Murphy	–	224,000	–	224,000	0.4467

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:

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

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

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

(subject to the rules of the Procurri ESOS).

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 year ended 31 December 2016.

DIRECTORS' STATEMENT

Audit Committee

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

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

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

- reviewed with the external auditors their audit plan, the results of their examination and their report on the financial statements and the assistance given by the Company's officers to them;
- reviewed with the internal auditors the internal audit plan, the scope and results of the internal audit procedures and findings, the adequacy of the internal audit resources, the cost effectiveness and the assistance given by the management to the internal auditors;
- reviewed the quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the Directors of the Company for adoption; and
- reviewed the interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

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

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

Auditor

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

On behalf of the board of directors,

Wong Kok Khun
Director

Thomas Sean Murphy
Director

28 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Revenue recognition

The Group recognised revenue of \$135,750,000 during the financial year. We identified higher audit risk due to the appropriateness of the timing of revenue recognition arising from high trading volume in the last quarter of the financial year and determined this as a key audit matter.

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

We performed data analysis by analysing relationships between revenue, trade receivables and cash to determine whether the analysis is in line with our expectations based on our understanding of business and accounts relationships. We reviewed the unusual trends or activities and discussed with management as well as performed revenue reconciliation to trade receivables and cash balances. For revenue that we did not perform data analysis, we analysed gross margins and trend analysis, and compared them against prior year actual results.

We also performed sales cut-off test to establish that revenue are recorded in the correct period as well as subsequent review of credit notes issued to customers to ascertain that revenue were recognised in the correct period. Lastly, we also considered the adequacy of the disclosures in respect of revenue in Note 4 to the financial statements.

Accounting for business combination

During the financial year ended 2016, the Group acquired EAF Supply Chain Holdings Limited for a total purchase consideration of \$2,588,000, and recognised a gain on bargain purchase of \$1,243,000 in profit or loss. The Group has recorded this transaction based on the Purchase Price Allocation ("PPA"), whereby the acquirer allocates the purchase price into various identifiable assets and liabilities acquired from the new business.

We have determined this to be a key audit matter based on the quantitative materiality of the acquisition and the significant management judgment made on the PPA.

As part of our audit procedures on the accounting for the acquisition, we reviewed the purchase agreement to obtain an understanding of the transaction and the key terms. Management engaged external valuation expert to assist them with the PPA. We assessed the competence, capabilities and objectivity of the external expert engaged by management. An important element of our audit relates to the identification and fair value measurement of the acquired assets and liabilities. We tested this identification based on our discussion with management and our understanding of the business of the acquired company. We reviewed the management's valuation methodologies and assessed the key assumptions and inputs used in measuring the fair value of the acquired assets.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Impairment assessment of goodwill

As at 31 December 2016, the goodwill is carried at \$11,978,000 which represents 43% of the total non-current assets and 18% of total equity. We considered the audit of management's annual impairment test of goodwill to be a key audit matter because the assessment process was complex and involved significant management judgement. Based on the annual impairment testing, there was no impairment recognised during the financial year.

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

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

Impairment assessment of receivables

The Group's trade receivable balances were significant as they represent 40% of the total current assets in the consolidated balance sheet. The total trade receivables and related allowance for impairment of trade receivables amounted to \$35,817,000 and \$555,000 respectively as at 31 December 2016. Trade receivables impairment assessment requires significant management judgment in assessing the trade debtors' ability to pay. As such, we determined that this is a key audit matter.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. We assessed the Group's processes and controls relating to the monitoring of trade receivables and considered aging to identify collection risks. We performed audit procedures, amongst others, sending trade receivable confirmations on a sampling basis and reviewing for collectability by way of obtaining evidence of subsequent receipts from the trade receivables. We had discussions with management on the recoverability of the long outstanding debts. We also evaluated management's assumptions and estimates used to determine the trade receivables impairment amount through detailed analyses of ageing of receivables, assessment of material overdue individual trade receivables and where applicable, review of customers' payment history and correspondences between the Group and the customers. We assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 17 and 29 to the financial statements.

Allowance for inventories

The Group's total inventories and the related write down to net realisable value ("NRV") amounted to \$15,641,000 and \$2,123,000 respectively as at 31 December 2016. 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 allowance for inventory write down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of provision required. As such, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

As part of our procedures, we obtained the inventory ageing report and discussed with management their procedures to identify slow-moving and obsolete inventories and assess adequacy of the allowance for slow moving and obsolete inventories. 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 or subsequent year-end sales price of the inventories. We also assessed the adequacy of the disclosures related to inventories in Note 16 to the financial statements.

Setting up a Global Parts Centre ("GPC") in Singapore

In December 2016, the Group set up a Global Parts Centre in Singapore to achieve economies of scale in its Lifecycle Services business segment. It refreshed its holding of maintenance parts which required the write off of some of the existing holdings and the acquisition of additional maintenance parts. As at 31 December 2016, the Group held \$5,083,000 (2015: \$2,701,000) of maintenance parts in Singapore. We have determined this to be a key audit matter due to the increase in, and size of holdings of maintenance parts at year end. As part of our audit procedures, we performed sighting of the maintenance parts and compared the purchase price to market data of similar maintenance parts on a sampling basis to verify the existence and valuation of the maintenance parts. We also considered the adequacy of the disclosures in respect of plant and equipment in Note 12 to the financial statements.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP

Public Accountants and
Chartered Accountants

Singapore
28 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group	
	Note	2016 \$'000	2015 \$'000
Revenue	4	135,750	122,814
Cost of sales		<u>(89,713)</u>	<u>(81,192)</u>
Gross profit		46,037	41,622
Other items of income			
Other income	5	2,715	840
Other credits	8	1,297	422
Other items of expense			
Selling expenses		(9,664)	(9,665)
Administrative expenses		(27,401)	(21,414)
Finance costs	7	(729)	(532)
Other charges	8	<u>(2,460)</u>	<u>(1,276)</u>
Profit before tax, before IPO expenses		9,795	9,997
IPO expense		<u>(2,181)</u>	-
Profit before tax, after IPO expenses	9	7,614	9,997
Income tax expense	10	<u>(2,475)</u>	<u>(1,225)</u>
Profit for the year		<u>5,139</u>	<u>8,772</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		<u>(2,595)</u>	<u>(402)</u>
Other comprehensive income for the financial year		<u>(2,595)</u>	<u>(402)</u>
Total comprehensive income for the financial year		<u>2,544</u>	<u>8,370</u>
Profit for the year attributable to:			
Owners of the Company		<u>5,139</u>	<u>8,772</u>
Total comprehensive income attributable to:			
Owners of the Company		<u>2,544</u>	<u>8,370</u>
Earnings per share attributable to owners of the Company			
(cents per share)			
Basic	11	2.12	4.34
Diluted	11	<u>2.12</u>	<u>4.34</u>

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Non-current assets					
Plant and equipment	12	11,304	9,022	7,116	739
Investment in subsidiaries	13	–	–	42,564	35,369
Intangible assets	14	14,322	16,901	2,079	2,598
Finance lease receivables	15	1,677	445	–	–
Deferred tax assets	10	554	897	–	51
		<u>27,857</u>	<u>27,265</u>	<u>51,759</u>	<u>38,757</u>
Current assets					
Inventories	16	15,641	11,168	–	–
Trade and other receivables	17	39,410	35,374	11,214	6,421
Prepayments	18	2,868	1,884	11	167
Finance lease receivables	15	1,299	744	–	–
Cash and bank balances	19	30,006	4,932	18,170	1,573
		<u>89,224</u>	<u>54,102</u>	<u>29,395</u>	<u>8,161</u>
Total assets		<u>117,081</u>	<u>81,367</u>	<u>81,154</u>	<u>46,918</u>
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	20	24,670	24,992	6,007	5,845
Advance billings		3,452	2,473	–	–
Loans and borrowings	21	13,607	13,863	2,960	2,459
Income tax payable		1,033	566	–	–
		<u>42,762</u>	<u>41,894</u>	<u>8,967</u>	<u>8,304</u>
Net current assets/(liabilities)		<u>46,462</u>	<u>12,208</u>	<u>20,428</u>	<u>(143)</u>
Non-current liabilities					
Deferred tax liabilities	10	508	426	167	3
Loans and borrowings	21	4,480	4,653	3,186	5,175
Provisions	22	827	70	–	–
Deferred income	23	1,422	–	–	–
		<u>7,237</u>	<u>5,149</u>	<u>3,353</u>	<u>5,178</u>
Total liabilities		<u>49,999</u>	<u>47,043</u>	<u>12,320</u>	<u>13,482</u>
Net assets		<u>67,082</u>	<u>34,324</u>	<u>68,834</u>	<u>33,436</u>
Equity attributable to owners of the Company					
Share capital	24	70,068	33,062	70,068	33,062
Retained earnings		20,052	14,913	(1,442)	374
Other reserves	25	(23,038)	(13,749)	208	–
		<u>67,082</u>	<u>34,226</u>	<u>68,834</u>	<u>33,436</u>
Non-controlling interests		–	98	–	–
Total equity		<u>67,082</u>	<u>34,324</u>	<u>68,834</u>	<u>33,436</u>
Total equity and liabilities		<u>117,081</u>	<u>81,367</u>	<u>81,154</u>	<u>46,918</u>

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Share Capital (Note 24) \$'000	Retained earnings \$'000	Other reserves (Note 25) \$'000	Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance as at 1 January 2016	33,062	14,913	(13,749)	34,226	98	34,324
Total comprehensive income for the financial year	-	5,139	(2,595)	2,544	-	2,544
<u>Contributions by and distributions to owners</u>						
Issuance of new shares pursuant to IPO	38,573	-	-	38,573	-	38,573
Share issue expenses	(1,567)	-	-	(1,567)	-	(1,567)
Share based payment	-	-	208	208	-	208
<u>Changes in ownership interests in subsidiaries</u>						
Acquisition of non-controlling interests of a subsidiary (Note 13)	-	-	(6,902)	(6,902)	(98)	(7,000)
	<u>37,006</u>	<u>-</u>	<u>(6,694)</u>	<u>30,312</u>	<u>(98)</u>	<u>30,214</u>
Balance as at 31 December 2016	<u>70,068</u>	<u>20,052</u>	<u>(23,038)</u>	<u>67,082</u>	<u>-</u>	<u>67,082</u>
Balance as at 1 January 2015	27,883	6,141	(4,413)	29,611	1,173	30,784
Total comprehensive income for the financial year	-	8,772	(402)	8,370	-	8,370
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	3,656	-	-	3,656	-	3,656
<u>Changes in ownership interests in subsidiaries</u>						
Acquisitions of subsidiaries	-	-	-	-	98	98
Acquisition of non-controlling interests of a subsidiary	1,523	-	(8,934)	(7,411)	(1,173)	(8,584)
	<u>5,179</u>	<u>-</u>	<u>(8,934)</u>	<u>(3,755)</u>	<u>(1,075)</u>	<u>(4,830)</u>
Balance as at 31 December 2015	<u>33,062</u>	<u>14,913</u>	<u>(13,749)</u>	<u>34,226</u>	<u>98</u>	<u>34,324</u>

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Share Capital (Note 24) \$'000	Retained earnings \$'000	Other Reserves (Note 25) \$'000	Total equity \$'000
Balance at 1 January 2016	33,062	374	-	33,436
Total comprehensive income for the year	-	(1,816)	-	(1,816)
<u>Contributions by and distributions to owners</u>				
Issuance of new shares pursuant to IPO	38,573	-	-	38,573
Share issue expenses	(1,567)	-	-	(1,567)
Share based payment	-	-	208	208
Balance at 31 December 2016	<u>70,068</u>	<u>(1,442)</u>	<u>208</u>	<u>68,834</u>
Balance at 1 January 2015	27,883	329	-	28,212
Total comprehensive income for the year	-	45	-	45
<u>Contributions by and distributions to owners</u>				
Issuance of ordinary shares	3,656	-	-	3,656
Issuance of ordinary shares for acquisitions of subsidiaries	1,523	-	-	1,523
Balance at 31 December 2015	<u>33,062</u>	<u>374</u>	<u>-</u>	<u>33,436</u>

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016 \$'000	2015 \$'000
Cash flows from operating activities		
Profit before tax	7,614	9,997
Adjustments for:		
Depreciation of plant and equipment	3,677	2,805
Amortisation of intangible assets	756	237
Share based payment	208	–
Gain on bargain purchase	(1,243)	–
Gain on disposal of plant and equipment	(41)	(290)
Interest income	(165)	(112)
Interest expenses	729	532
Inventories written down	2,123	676
Allowance for impairment on trade receivables	245	600
Plant and equipment written off	92	–
Unrealised exchange (gain)/loss	(1,320)	114
Operating cash flows before changes in working capital	12,675	14,559
Increase in inventories	(3,750)	(4,251)
(Increase)/decrease in trade and other receivables	(7,917)	11,145
Increase in finance lease receivables	(1,787)	(57)
Increase in prepayments	(984)	(985)
Increase in advance billings	979	664
Increase/(decrease) in trade and other payables	1,362	(14,489)
Net cash generated from operations	578	6,586
Income taxes paid	(1,202)	(1,623)
Net cash (used in)/generated from operating activities	(624)	4,963
Cash flows from investing activities		
Purchase of plant and equipment	(5,390)	(2,883)
Addition to intangible asset	–	(2,598)
Proceeds from disposal of plant and equipment	502	22
Placement of fixed deposit	(3,000)	–
Net outflow from acquisition of subsidiary (Note 13)	(2,003)	(102)
Decrease/(increase) in amounts due from related companies	2,973	(228)
Decrease/(increase) in amounts due from holding company	5,892	(2,904)
Interest received	165	112
Net cash used in investing activities	(861)	(8,581)

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	\$'000	\$'000
Cash flows from financing activities		
Issuance of share capital (Note 24)	38,573	3,656
Acquisition of non-controlling interest (Note 13)	(7,000)	(7,893)
Share issue expenses	(1,567)	–
Placement of fixed deposits pledged for bank facilities	–	20
Proceeds from loans and borrowings	75,079	39,658
Repayments of loans and borrowings	(75,176)	(38,545)
Decrease in amounts due to related companies	(3)	(9)
(Decrease)/increase in amounts due to holding company	(4,095)	3,882
(Decrease)/increase in amounts due to directors	(1,428)	1,428
Interest paid	(729)	(532)
Net cash generated from financing activities	23,654	1,665
Net increase/(decrease) in cash and cash equivalents	22,169	(1,953)
Effect of exchange rate changes on cash and cash equivalents	(11)	61
Cash and cash equivalents at beginning of the financial year	4,105	5,997
Cash and cash equivalents at end of the financial year (Note 19)	26,263	4,105

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

Procurri Corporation Limited (the “Company”) is a public listed company incorporated and domiciled in Singapore. On 29 June 2016, the Company was converted into a public company limited by shares and changed its name from Procurri Corporation Pte. Ltd. to Procurri Corporation Limited. The Company is listed on the Main Board of Singapore Exchange Securities Trading Limited (“the SGX-ST”) on 20 July 2016.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 7: <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer, i.e. when performance obligations are satisfied.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and has preliminarily identified the following area that is likely to be affected:

- Accounting for certain costs incurred in obtaining a contract – certain costs which are currently expensed may need to be recognised as an asset under FRS115

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

FRS 109 Financial Instruments (cont'd)

FRS 109 requires the Group to record expected credit losses on its trade and other receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

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

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(a) Basis of consolidation (cont'd)

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(b) Business combinations and goodwill (cont'd)

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

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

2.7 Plant and equipment

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

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

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

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

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

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

2.8 Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Intangible assets (cont'd)

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

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

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

2.9 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

2.10 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

De-recognition

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

2.12 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Cash and cash equivalents

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

2.14 Inventories

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

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

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

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

2.15 Provisions

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

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

2.16 Employee benefits

(a) Defined contributions plans

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

(b) Share-based payments

(i) *DeClout ESOS and PSP*

The Company's holding company has in place performance share plans for the granting of share options and shares to eligible executives of the Group. Details of the share plans are disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Employee benefits (cont'd)

(b) Share-based payments (cont'd)

(i) *DeClout ESOS and PSP (cont'd)*

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

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

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

(ii) *Procurri PSP*

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

2.17 Leases

(a) As lessee

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Leases (cont'd)

(a) As lessee (cont'd)

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

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

(b) As lessor

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

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

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

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

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

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

2.18 Revenue recognition

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

(a) Sale of goods

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Revenue recognition (cont'd)

(b) Rendering of services

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

(c) Equipment rental and leasing income

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Finder's fee

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

2.19 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Share capital and share issuance expenses

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

2.21 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.1 Judgements made in applying accounting policies

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

(a) Impairment of receivables

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

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

(b) Accounting for business combination

During the current financial year, the Group acquired EAF Supply Chain Holdings Limited for a total purchase consideration of \$2,588,000 and recognised a gain on bargain purchase of \$1,243,000 (Note 13). Significant judgement is applied on the assumptions made in determining the value of the acquired identifiable assets.

(c) Allowance for inventories

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 allowance for inventory write down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of allowance required. The carrying amount of inventory stated at net realisable value and the related allowance for write down as at 31 December 2016 was \$15,641,000 (2015: \$11,168,000) and \$2,123,000 (2015: \$676,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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) Impairment of goodwill

As disclosed in Note 14 to the financial statements, the recoverable amounts of the cash generating units which goodwill has been allocated to be determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 14 to the financial statements.

The carrying amount of the goodwill as at 31 December 2016 is disclosed in Note 14.

4. REVENUE

	Group	
	2016 \$'000	2015 \$'000
Sale of goods	104,681	98,844
Rendering of services	26,426	20,268
Equipment rental and leasing	3,675	2,715
Finder's fee	968	987
	135,750	122,814

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. OTHER INCOME

	Group	
	2016 \$'000	2015 \$'000
Interest income	165	112
Government grants	55	29
Recovery of freight costs	479	484
Sales of other ancillary services	504	–
Rental of premises	63	76
Gain on bargain purchase (Note 13)	1,243	–
Others	206	139
	<u>2,715</u>	<u>840</u>

6. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016 \$'000	2015 \$'000
Salaries, allowances, bonuses and commissions	24,220	21,788
Contributions to defined contribution plan	1,498	1,194
Other benefits	2,220	1,697
Share-based payments recharged by holding company	124	789
Share-based payments (Note 26)	208	–
	<u>28,270</u>	<u>25,468</u>
Less: Salaries, allowances, bonuses and commissions recharged to the holding company	–	(789)
	<u>28,270</u>	<u>24,679</u>
The employee benefits expense is charged under:		
Administrative expenses	17,212	13,967
Cost of sales	2,065	1,604
Selling expenses	8,993	9,108
	<u>28,270</u>	<u>24,679</u>

7. FINANCE COSTS

	Group	
	2016 \$'000	2015 \$'000
Interest expense	729	532

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. OTHER CHARGES, NET

	Group	
	2016 \$'000	2015 \$'000
<u>Other charges</u>		
Inventories written down (Note 16)	(2,123)	(676)
Allowance for impairment on trade receivables (Note 17)	(245)	(600)
Plant and equipment written off (Note 12)	(92)	-
	<u>(2,460)</u>	<u>(1,276)</u>
<u>Other credits</u>		
Foreign exchange gain	1,256	132
Gain on disposal of plant and equipment	41	290
	<u>1,297</u>	<u>422</u>
Other charges, net	<u>(1,163)</u>	<u>(854)</u>

9. PROFIT BEFORE TAX

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

	Group	
	2016 \$'000	2015 \$'000
Audit fees to auditors of the Company	130	54
Audit fees to other member firms of EY Global	73	92
Audit fees to other auditors	283	197
Non-audit fees to auditors of the Company	45	65
Non-audit fees to other auditors	145	79
Employee benefits expense (Note 6)	28,270	24,679
Rental of premises	2,094	1,559
Depreciation of plant and equipment (Note 12)	3,677	2,805
Amortisation of intangible assets (Note 14)	756	237
Professional fees	1,620	1,103
IPO expense	2,181	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. INCOME TAX EXPENSE

Components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are:

	Group	
	2016 \$'000	2015 \$'000
Current income tax:		
Current income taxation	(1,690)	(1,459)
Over provision in respect of previous years	18	-
	<u>(1,672)</u>	<u>(1,459)</u>
Deferred income tax:		
Current deferred tax (expense)/credit	(360)	234
Under provision in respect of previous years	(443)	-
	<u>(803)</u>	<u>234</u>
Income tax expense recognised in profit or loss	<u>(2,475)</u>	<u>(1,225)</u>

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 2016 and 2015 is as follows:

	Group	
	2016 \$'000	2015 \$'000
Profit before tax	<u>7,614</u>	<u>9,997</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	(1,908)	(2,207)
- Non-deductible expenses	(693)	(131)
- Income not subject to tax	268	-
- Effect of partial tax exemption, tax incentives and tax relief	201	537
- Over provision of income tax expense in respect of previous years	18	-
- Under provision of deferred income tax expense in respect of previous years	(443)	-
- Others	82	576
	<u>(2,475)</u>	<u>(1,225)</u>

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

	Group	
	2016 \$'000	2015 \$'000
Fair value adjustments on acquisition of subsidiary	136	50
Excess of net book value of plant and equipment over tax values	61	(190)
Unutilised tax losses	175	(119)
Unutilised capital allowances	(767)	310
Provisions	(30)	209
Under provision in respect of previous years	(443)	-
Others	65	(26)
Total deferred tax (expense)/credit recognised in profit or loss	<u>(803)</u>	<u>234</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. INCOME TAX EXPENSE (CONT'D)

Deferred tax balance in balance sheets:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Deferred tax assets/(liabilities)</u>				
Fair value adjustments on acquisition of subsidiary (Note 13)	-	(136)	-	-
Excess of net book value of plant and equipment over tax values	(679)	(740)	(383)	(268)
Unutilised tax losses	175	-	-	-
Unutilised capital allowances	211	978	211	313
Provisions	339	369	5	3
	<u>46</u>	<u>471</u>	<u>(167)</u>	<u>48</u>
Presented in the statements of financial position as follow:				
Deferred tax assets	554	897	-	51
Deferred tax liabilities	(508)	(426)	(167)	(3)
	<u>46</u>	<u>471</u>	<u>(167)</u>	<u>48</u>

Unrecognised temporary differences relating to investments in subsidiaries

The Group has not recognised deferred tax liability in respect of undistributed profits of subsidiaries because the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised amounted to \$11,253,000 (2015: \$7,155,000). The deferred tax liability is estimated to be \$2,593,000 (2015: \$1,216,000).

Tax consequences of proposed dividends

There are no income tax consequences (2015: nil) attached to the dividends to the shareholders proposed by the Company but not recognized as a liability in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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:

	2016 \$'000	2015 \$'000
Profit for the year attributable to owners of the Company, before IPO expenses	7,320	8,772
Profit for the year attributable to owners of the Company, after IPO expenses	5,139	8,772
	No. of shares '000	No. of Shares '000
Weighted average number of ordinary shares for earnings per share computation	242,069	202,224
Effect of dilutions:		
– Contingently issuable performance shares	579	–
Weighted average number of ordinary shares for diluted earnings per share computation	242,648	202,224
	2016	2015
Earnings per share attributable to owners of the Company (cents per share), before IPO expenses		
– Basic	3.02	4.34
– Diluted	3.02	4.34
Earnings per share attributable to owners of the Company (cents per share), after IPO expenses		
– Basic	2.12	4.34
– Diluted	2.12	4.34

On 29 June 2016, every one ordinary share in the issued and paid-up share capital of the Company was sub-divided into 6,500 ordinary shares. As a result, the calculation of basic and diluted earnings per share for 2015 had been adjusted retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2015	1,263	70	3,834	5,225	19	10,411
Additions	256	-	2,506	2,149	16	4,927
Disposals	(20)	-	(527)	-	(4)	(551)
Exchange differences	-	-	49	(270)	-	(221)
At 31 December 2015 and 1 January 2016	1,499	70	5,862	7,104	31	14,566
Additions	1,812	-	1,515	3,676	79	7,082
Arising from acquisition of business (Note 13)	63	-	135	-	-	198
Disposals	(1,064)	-	(1,668)	-	(2)	(2,734)
Write-off	-	-	-	(2,833)	-	(2,833)
Exchange differences	(112)	-	(180)	(30)	(4)	(326)
At 31 December 2016	2,198	70	5,664	7,917	104	15,953
Accumulated depreciation						
At 1 January 2015	422	26	943	1,827	5	3,223
Depreciation for the financial year	314	14	1,312	1,151	14	2,805
Disposals	(15)	-	(418)	-	(4)	(437)
Exchange differences	-	-	30	(77)	-	(47)
At 31 December 2015 and 1 January 2016	721	40	1,867	2,901	15	5,544
Depreciation for the financial year	444	14	1,747	1,443	29	3,677
Disposals	(674)	-	(917)	66	-	(1,525)
Write-off	-	-	-	(2,741)	-	(2,741)
Exchange differences	(84)	-	(186)	(30)	(6)	(306)
At 31 December 2016	407	54	2,511	1,639	38	4,649
Net book value						
At 31 December 2015	778	30	3,995	4,203	16	9,022
At 31 December 2016	1,791	16	3,153	6,278	66	11,304

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold improvement \$'000	Plant and equipment \$'000	Maintenance parts \$'000	Total \$'000
Cost				
At 1 January 2015	-	1,381	-	1,381
Additions	-	13	-	13
At 31 December 2015 and 1 January 2016	-	1,394	-	1,394
Additions	1,796	266	5,176	7,238
At 31 December 2016	1,796	1,660	5,176	8,632
Accumulated depreciation				
At 1 January 2015	-	192	-	192
Depreciation for the year	-	463	-	463
At 31 December 2015 and 1 January 2016	-	655	-	655
Depreciation for the year	258	510	93	861
At 31 December 2016	258	1,165	93	1,516
Net book value				
At 31 December 2015	-	739	-	739
At 31 December 2016	1,538	495	5,083	7,116

The depreciation expense is charged under:

	Group	
	2016 \$'000	2015 \$'000
Cost of sales	1,860	1,429
Administrative expenses	1,817	1,376
	3,677	2,805

Purchase of plant and equipment (non-cash)

There were acquisitions of plant and equipment by the Group with a total cost of \$127,000 (2015: \$807,000) acquired by means of finance lease.

Assets held under finance leases

The carrying amount of plant and equipment of the Group held under finance leases as at 31 December 2016 is \$Nil (2015: \$1,517,000).

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 2016 is \$1,020,000 (2015: \$1,262,000).

Setting up a Global Parts Centre ("GPC") in Singapore

In December 2016, the Group set up a GPC in Singapore to achieve economies of scale in its Lifecycle Services business segment. It refreshed its holding of maintenance parts which required the write off of some of the existing holdings amounting to \$92,000 (Note 8) and addition of maintenance parts of \$2,500,000. As at 31 December 2016, the Group held \$5,083,000 (2015: \$2,701,000) of maintenance parts in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 \$'000	2015 \$'000
Cost at the beginning of the year	35,369	24,373
Additional investment in subsidiaries	7,195	10,996
Cost at the end of the year	<u>42,564</u>	<u>35,369</u>
Total cost comprising:		
Unquoted equity shares at cost	<u>42,564</u>	<u>35,369</u>

Composition of the Group

The Group has the following significant investments in subsidiaries.

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held	
		2016 %	2015 %
Procurri Singapore Pte. Ltd. ("Procurri Singapore") ^(a) Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment	100	100
Procurri Malaysia Sdn. Bhd. ("Procurri Malaysia") ^(c) Malaysia	Sales of all kinds of computer systems and hardware, provision of maintenance and related services, and rental of computer parts and fully configured servers	100	100
Procurri Asia Pacific Pte. Ltd. ("Procurri Asia Pacific") ^(a) Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment	100	51
ASVIDA UK Limited ^(f) United Kingdom	Investment holding	100	100
Held through Procurri Asia Pacific:			
Procurri (Beijing) Co., Ltd. ^(e) 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	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Composition of the Group (cont'd)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held	
		2016 %	2015 %
Held through ASVIDA UK Limited:			
Procurri LLC ^(d) United States	Business of provision of information technology solutions	100	100
Tinglobal Holdings Limited ("Tinglobal") ^(b) United Kingdom	Investment holding	100	100
Held through Tinglobal:			
Tinglobal Limited ^(e) United Kingdom	Investment holding	–	100
Procurri UK Ltd ^(b) United Kingdom	Engage in the global market for the refurbishment and subsequent sale of second user and reconfigured mid-range to high end IT equipment	100	–
Held through Procurri LLC:			
Procurri S. DE R.L DE C.V ^(d) Mexico	Business of provision of information technology solutions	100	100
Held through Tinglobal Limited:			
Procurri UK Ltd ^(h) United Kingdom	Engage in the global market for the refurbishment and subsequent sale of second user and reconfigured mid-range to high end IT equipment	–	100
Powercore International Limited ^(e) United Kingdom	Engage in the global market for the refurbishment and subsequent sale of second user and reconfigured mid-range to high end IT equipment	–	100
Powercore Holdings Limited ^(e) United Kingdom	Dormant	–	100
Held through Procurri UK Ltd:			
EAF Supply Chain Holdings Limited ^(f) United Kingdom	Investment holding	100	–
Held through EAF Supply Chain Holdings Limited:			
EAF Supply Chain Limited ^(f) United Kingdom	Distribution of information technology (IT) spare parts.	100	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Composition of the Group (cont'd)

- (a) Audited by Ernst & Young LLP in Singapore.
- (b) Audited by member firms of EY Global in the respective countries.
- (c) These subsidiaries are not significant to the Group and are audited by other firms of accountants other than member firms of Ernst & Young.
- (d) Audited by Moore Stephens Tiller LLC.
- (e) Incorporated during the year.
- (f) Audited by Hazlewoods LLP in United Kingdom.
- (g) Dissolved during the year.
- (h) Procurri UK Limited is held through Tinglobal Holdings Limited after the dissolution of Tinglobal Limited.

Acquisition of subsidiaries

(a) Acquisition of ownership interest in subsidiary

On 26 February 2016, the Group took a \$7 million loan from the holding company, DeClout Limited, to acquire the remaining 49% equity interest in Procurri Asia Pacific. The purchase consideration was settled fully in cash.

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

	2016 \$'000
Consideration paid for the acquisition of non-controlling interests	7,000
Decrease in equity attributable to non-controlling interests	(98)
Decrease in equity attributable to owners of the Company (Note 25)	<u>6,902</u>

(b) Acquisition of EAF Supply Chain Holdings Limited

On 8 November 2016, the Group acquired the entire shareholdings in EAF Supply Chain Holdings Limited and its subsidiaries (collectively, "EAF") for a purchase consideration of approximately \$2,588,000. The purchase consideration was settled fully in cash.

The Group acquired EAF in order to expand its geographic reach and enlarge its customer base in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of subsidiaries (cont'd)

(b) Acquisition of EAF Supply Chain Holdings Limited (cont'd)

The fair value of identifiable assets acquired and liabilities assumed for acquisitions during the year ended 31 December 2016 are set out below.

	<u>EAF</u> <u>\$'000</u>
<u>Fair value of identifiable assets and liabilities</u>	
Plant and equipment (Note 12)	198
Deferred tax assets	175
Inventories	2,122
Trade and other receivables	4,260
Indemnification assets	421
Other assets	568
Trade and other payables	(3,741)
Provisions	(757)
Cash and cash equivalents	585
Net assets acquired	<u>3,831</u>
Gain on bargain purchase	<u>(1,243)</u>
Purchase consideration	<u>2,588</u>
Cash and cash equivalents of subsidiary acquired	585
Less: Cash paid	<u>(2,588)</u>
Net outflows from acquisition of subsidiary	<u>(2,003)</u>

Transaction costs

Transaction costs related to the acquisition of \$188,000 have been recognized in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

Gain on bargain purchase

The Group recognised a gain of \$1,243,000 as a result of the excess of the acquirer's interest in the net fair value of the identifiable assets and liabilities over the cost of the acquisition of EAF. The gain on bargain purchase represents long term synergies and benefits of being part of the Group's business ecosystem and is included in "Other income" (Note 5) in profit or loss.

Impact of the acquisition on profit or loss

From the acquisition date, EAF has contributed \$4,741,000 of revenue and \$145,000 of net loss after tax to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the revenue and profit after tax of the Group would have been \$163,951,000 and \$4,803,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. INTANGIBLE ASSETS

Group	Goodwill \$'000	Customer relationship \$'000	Technical know how \$'000	Total \$'000
Cost				
At 1 January 2015	14,240	948	–	15,188
Additions	–	–	2,598	2,598
Exchange differences	(485)	(7)	–	(492)
At 31 December 2015 and 1 January 2016	13,755	941	2,598	17,294
Exchange differences	(1,777)	(46)	–	(1,823)
At 31 December 2016	11,978	895	2,598	15,471
Accumulated amortisation and impairment				
At 1 January 2015	–	159	–	159
Amortisation for the financial year (Note 9)	–	237	–	237
Exchange difference	–	(3)	–	(3)
At 31 December 2015 and 1 January 2016	–	393	–	393
Amortisation for the financial year (Note 9)	–	237	519	756
At 31 December 2016	–	630	519	1,149
Net book value				
At 31 December 2015	13,755	548	2,598	16,901
At 31 December 2016	11,978	265	2,079	14,322

Technical know how	Company	
	2016 \$'000	2015 \$'000
Cost		
As at 1 January	2,598	–
Additions	–	2,598
Accumulated amortisation and impairment		
As at 1 January	–	–
Amortisation for the financial year	519	–
Net book value	2,079	2,598

Goodwill

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

	Group	
	2016 \$'000	2015 \$'000
Tinglobal ^(a)	9,468	11,191
Procurri Malaysia ^(b)	2,510	2,564
	11,978	13,755

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. 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 (2015: four-year period). Cash flow projections were based on a three-year budget and plans approved by management. Cash flow projections have been extrapolated on the basis at 20% (2015: 20%) growth rate. A terminal growth rate of 1% (2015: 1%) was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 7.00% (2015: 8.53%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognised as the carrying amount of the goodwill was lower than its recoverable amount. The carrying value will not materially exceed its recoverable amount due to reasonable possible changes in any of the above key assumptions.
- (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 (2015: four-year period). Cash flow projections were based on a three-year budget and plans approved by management. Cash flow projections have been extrapolated on the basis at 20% (2015: 20%) growth rate. A terminal growth rate of 1% (2015: 1%) was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 10.00% (2015: 15.90%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognised as the carrying amount of the goodwill was lower than its recoverable amount. The carrying value will not materially exceed its recoverable amount due to reasonable possible changes in any of the above key assumptions.

15. FINANCE LEASE RECEIVABLES

Group

2016	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
Minimum lease payments receivable:			
Due within one year	1,466	(167)	1,299
Due between two to five years	1,781	(104)	1,677
	3,247	(271)	2,976
2015			
Minimum lease payments receivable:			
Due within one year	794	(50)	744
Due between two to five years	461	(16)	445
	1,255	(66)	1,189

The average lease term is two to five years (2015: two to four years). The average effective interest rate is 2.35% to 7.72% (2015: 5.1% to 7.00%) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. INVENTORIES

	Group	
	2016 \$'000	2015 \$'000
Balance sheet:		
Computer equipment and peripheral equipment held for sale	15,641	11,168
Income statement:		
Inventories recognised as an expense in cost of sales	70,487	69,102
Other inventory charges:		
– Inventories written down (Note 9)	2,123	676

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables				
– third parties	36,297	24,365	336	1,503
Less allowance for impairment	(555)	(749)	–	–
	35,742	23,616	336	1,503
– amount due from subsidiaries	–	–	166	123
– amount due from related companies	75	659	–	–
	35,817	24,275	502	1,626
Other receivables				
– third parties	1,827	2,110	473	15
– indemnification assets	421	–	–	–
– deposit	1,016	114	131	–
– amount due from holding company	2	5,894	–	3,641
– amounts due from subsidiaries	–	–	6,012	1,139
– amounts due from related companies	327	2,981	–	–
– loans to subsidiaries	–	–	4,096	–
	3,593	11,099	10,712	4,795
Total trade and other receivables	39,410	35,374	11,214	6,421
Add: Cash and bank balances (Note 19)	30,006	4,932	18,170	1,573
Total loans and receivables	69,416	40,306	29,384	7,994

Trade receivables

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

Included within trade receivables from third parties are factored receivables of \$2,726,000 (2015: \$Nil) transferred to a factoring bank (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Trade and other receivables past due but not impaired</i>				
Less than 30 days	8,481	7,635	233	-
30 – 60 days	3,426	2,829	78	-
61 – 90 days	1,856	1,832	114	-
Over 90 days	3,914	1,601	-	-
	<u>17,677</u>	<u>13,897</u>	<u>425</u>	<u>-</u>

Receivables that are impaired

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade and other receivables – nominal amounts	555	749	-	-
Less: Allowance for impairment	(555)	(749)	-	-
Balance at end of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Movements in allowance for impairment:				
Balance at beginning of the financial year	749	299	-	-
Charge for the year (Note 8)	245	600	-	-
Written off	(439)	(150)	-	-
Balance at end of the year	<u>555</u>	<u>749</u>	<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17. TRADE AND OTHER RECEIVABLES (CONT'D)

Other receivables

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

Loans to subsidiaries are unsecured, bears interest at 2.5% (2015: Nil), repayable within next twelve months and are to be settled in cash.

Indemnification assets

Indemnification assets arising from acquisition of EAF relating to indemnification from previous shareholders of EAF for dilapidations claim in respect of a leasehold premises and a potential claim from a supplier, approximately amounted to \$421,000 (2015: Nil). Provision for claims is disclosed in Note 22.

18. PREPAYMENTS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Advances to suppliers	2,550	1,006	-	-
Prepayments	318	878	11	167
	2,868	1,884	11	167

19. CASH AND BANK BALANCES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash and bank balances	30,006	4,932	18,170	1,573
Less: Bank overdrafts (Note 21)	(548)	(632)	-	-
	29,458	4,300	18,170	1,573
Less: Pledged deposits	(195)	(195)	-	-
Less: Fixed deposit	(3,000)	-	(3,000)	-
Cash and cash equivalents	26,263	4,105	15,170	1,573

Pledged deposits represent amounts held by banks as security for bank overdrafts and facilities (Note 21).

Fixed deposit is made for a period of six months and earns interest at 1.08% (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables				
– third parties	15,913	11,974	145	7
– amount due to subsidiaries	–	–	427	519
	15,913	11,974	572	526
Other payables				
– third parties	233	659	134	49
– accrued operating expenses	8,291	6,600	403	500
– amount due to holding company	233	4,328	280	4,130
– amount due to subsidiaries	–	–	4,618	638
– amount due to related companies	–	3	–	2
– directors	–	1,428	–	–
	8,757	13,018	5,435	5,319
Total trade and other payables	24,670	24,992	6,007	5,845
Add: Loans and borrowing (Note 21)	18,087	18,516	6,146	7,634
Total financial liabilities carried at amortised cost	42,757	43,508	12,153	13,479

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

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

In FY2015, amounts due to directors are unsecured, bear interest at 1% per month and repayable on demand.

21. LOANS AND BORROWINGS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Bank loans	2,959	3,136	2,960	2,459
Revolving loans	2,050	2,800	–	–
Bank overdrafts	548	632	–	–
Finance lease obligations	868	283	–	–
Trade receivables factoring	2,726	–	–	–
Trust receipts	4,090	6,749	–	–
Others	366	263	–	–
	13,607	13,863	2,960	2,459
Non-current				
Bank term loans	3,186	4,598	3,186	5,175
Finance lease obligations	1,294	55	–	–
	4,480	4,653	3,186	5,175
	18,087	18,516	6,146	7,634

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

21. LOANS AND BORROWINGS (CONT'D)

Bank loans

Bank loans are unsecured and covered by a corporate guarantee by certain subsidiaries (2015: by the holding company) and repayable in 3 to 32 (2015: 3 to 44) monthly instalments. The amount bears effective interest rates ranging from 2.18% to 4.85% (2015: ranging from 3.01% to 5.10%) per annum.

Revolving loans

Revolving loans are unsecured and covered by a corporate guarantee by the holding company (2015: by the holding company) and repayable upon maturity. The amount bears effective interest rates ranging from 3.01% to 4.28% (2015: 3.01% to 3.68%) per annum.

Bank overdrafts

Bank overdrafts bear effective interest rate ranging from 2.5% to 2.8% (2015: 9.18% to 9.46%) per annum. They are secured by pledged deposits (Note 19).

Finance lease obligations

Group 2016	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
Minimum lease payments payable:			
Due within one year	948	(80)	868
Due between two to five years	1,342	(48)	1,294
	<u>2,290</u>	<u>(128)</u>	<u>2,162</u>
2015			
Minimum lease payments payable:			
Due within one year	292	(9)	283
Due between two to five years	56	(1)	55
	<u>348</u>	<u>(10)</u>	<u>338</u>

The Group leases certain of its plant and equipment under finance lease obligations. The average lease term is three years (2015: two to four years). The interest rate for finance lease obligations is approximately 2.35% (2015: 2.35% to 6.76%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets.

Trade receivables factoring

Trade receivables factoring is secured by a charge over trade receivables balances of \$2,726,000 (2015: \$Nil) with recourse. The interest rate for the trade receivables factoring is 2.1% (2015: nil) per annum.

Trust receipts

Trust receipts utilized by certain subsidiaries are: i) covered by a corporate guarantee given by the Company and one subsidiary (2015: by the holding company); and ii) secured by receivables and other rights to payments. The interest rate for the trust receipts is approximately 2.62% to 3.22% (2015: 2.34% to 2.84%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. PROVISIONS

Provision for reinstatement costs

	Group	
	2016 \$'000	2015 \$'000
At beginning/end of the financial year	<u>70</u>	<u>70</u>

The provision for reinstatement costs is based on the present value of costs to be incurred to remove leasehold improvement from leased properties. The estimate is based on quotations from external contractors. The remaining lease period is one to four years (2015: one to two years).

Provision for claims

At beginning of the financial year	-	-
Arising from acquisition of subsidiary	<u>757</u>	<u>-</u>
At the end of the financial year	<u>757</u>	<u>-</u>
Total provisions	<u>827</u>	<u>70</u>

Provision for claims arises from acquisition of subsidiary relating to dilapidations claim in respect of a leasehold premises and a potential claim from a supplier, approximately amounted to \$499,000 (2015: Nil) and \$258,000 (2015: Nil) respectively.

Indemnification assets amounting to \$421,000 (2015: Nil) is arising from acquisition of subsidiary relating to indemnification from shareholders of EAF for dilapidations claim in respect of a leasehold premises and a potential claim from supplier, is recognized under other receivables from third parties (Note 17).

23. DEFERRED INCOME

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

24. SHARE CAPITAL

	Group and Company	
	No. of ordinary shares	Amount \$'000
<i>Ordinary shares of no par value</i>		
Balance at 1 January 2015	30,440	27,883
Issuance of ordinary shares pursuant to share swap	600	1,523
Issuance of ordinary shares	<u>1,440</u>	<u>3,656</u>
Balance at 31 December 2015	<u>32,480</u>	<u>33,062</u>
Sub-division of shares ^(a)	211,120,000	33,062
Issuance of new shares pursuant to the IPO	68,880,000	38,573
Share issue expenses ^(b)	-	(1,567)
Balance at 31 December 2016	<u>280,000,000</u>	<u>70,068</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. SHARE CAPITAL (CONT'D)

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.

- (a) In June 2016, every one ordinary share in the issued and paid-up share capital of the Company was sub-divided into 6,500 ordinary shares.
- (b) Share issue expenses of \$1,567,000 in 2016 was charged to equity.

25. OTHER RESERVES

Group	Foreign currency translation reserve \$'000	Merger reserve \$'000	(Premium)/ Discount on acquisition of non-controlling interest \$'000	Share-based payment reserve (Note 26) \$'000	Total \$'000
2016					
At beginning of the financial year	(467)	(4,420)	(8,862)	-	(13,749)
Share-based payment	-	-	-	208	208
Acquisition of non-controlling interests of a subsidiary (Note 13)	-	-	(6,902)	-	(6,902)
Exchange differences	(2,595)	-	-	-	(2,595)
At end of the financial year	<u>(3,062)</u>	<u>(4,420)</u>	<u>(15,764)</u>	<u>208</u>	<u>(23,038)</u>
2015					
At beginning of the financial year	(65)	(4,420)	72	-	(4,413)
Acquisition of non-controlling interests of a subsidiary	-	-	(8,934)	-	(8,934)
Exchange differences	(402)	-	-	-	(402)
At end of the financial year	<u>(467)</u>	<u>(4,420)</u>	<u>(8,862)</u>	<u>-</u>	<u>(13,749)</u>

Foreign currency reserve

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

Merger reserve

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

(Premium)/discount on acquisition of non-controlling interest

(Premium)/discount 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. SHARE-BASED COMPENSATION

	Group and Company	
	2016 \$'000	2015 \$'000
Performance share plan	208	-
Share-based payments recharged by holding company	124	789

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, options awards may be granted to the following participants under the Procurri PSP:

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

(subject to the rules of the Procurri PSP).

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. SHARE-BASED COMPENSATION (CONT'D)

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

Grant date	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at beginning of the year	Number of shares which are the subject of the awards granted under the Procurri PSP granted during the year	Number of shares pursuant to the awards issued during the year	Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at end of the year	Market price per share \$
2016					
1 September 2016	-	1,747,000	-	1,747,000	0.4467
	-	1,747,000	-	1,747,000	0.4467

Performance share plan reserve

	Group and Company	
	2016 \$'000	2015 \$'000
Balance at beginning of the year	-	-
Expense recognised in profit or loss (Note 25)	208	-
Balance at end of the year	208	-

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. SHARE-BASED COMPENSATION (CONT'D)

Procurri ESOS (cont'd)

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

DeClout PSP

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. RELATED PARTY TRANSACTIONS

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

	Group	
	2016 \$'000	2015 \$'000
Holding company:		
Sales of goods and services	–	*
Other income	15	46
Office rental expense	(70)	(271)
Management fees expense	–	(73)
Performance share plan	124	789
Shared services charges	150	–
Salaries, allowances, bonuses and commission	–	(789)
Related companies:		
Sales of goods and services	1,157	745
Other income	56	31
Purchases of goods and services	(2,363)	(225)
Purchases of leasehold improvement	(1,707)	–
Purchases of plant and equipment	–	(400)
Support service charges	(131)	(69)

Interest of \$Nil (2015: \$35,000) is payable on amounts due to certain directors of the Company. \$Nil (2015: \$1,428,000) is due to directors as at 31 December 2016. (Note 20).

* Less than \$1,000

Key management compensation

	Group	
	2016 \$'000	2015 \$'000
Salaries and other short-term employee benefits	3,575	6,052
Share-based payment	363	–
	3,938	6,052

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2016 \$'000	2015 \$'000
Key management compensation comprises the following:		
Remuneration to directors of the Company	612	3,439
Remuneration to other key management personnel	3,189	2,613
Director fees	137	–
	3,938	6,052

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. COMMITMENTS

Capital commitments

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

	Group	
	2016 \$'000	2015 \$'000
Commitment to satisfy consideration for exercising of call option	–	7,000
Capital commitments in respect of plant and equipment	<u>550</u>	<u>550</u>

Operating lease commitments – as lessee

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016 amounted to \$2,094,000 (2015: \$1,559,000).

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

	Group	
	2016 \$'000	2015 \$'000
Not later than one year	<u>1,608</u>	563
Later than one year and not later than five years	<u>5,860</u>	653
More than five years	<u>509</u>	–
	<u><u>7,977</u></u>	<u><u>1,216</u></u>

Operating lease payments are for rentals payable for office and computer equipment, office premises, data centre racks. The lease rental terms are negotiated for an average term of one to six years (2015: one to four years).

Operating lease commitments – as lessor

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

	Group	
	2016 \$'000	2015 \$'000
Not later than one year	<u>1,716</u>	1,983
Later than one year and not later than five years	<u>1,430</u>	2,343
	<u><u>3,146</u></u>	<u><u>4,326</u></u>

Operating lease income commitments are for the managed services receivable and rentals receivable for certain plant and equipment. The lease rental terms are negotiated for an average term of one month to five years (2015: one to three years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

Credit risk

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

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

Credit risk concentration profile

At the end of the reporting period, approximately 16% (2015: 17%) of the Group's trade receivables were due from 3 major customers.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	Less than 1 year	2016 \$'000 1 to 5 years	Total	Less than 1 year	2015 \$'000 1 to 5 years	Total
Group						
Financial assets:						
Trade and other receivables	39,410	-	39,410	35,374	-	35,374
Finance lease receivables	1,466	1,781	3,247	794	461	1,255
Cash and bank balances	30,006	-	30,006	4,932	-	4,932
Total undiscounted financial assets	<u>70,882</u>	<u>1,781</u>	<u>72,663</u>	<u>41,100</u>	<u>461</u>	<u>41,561</u>
Financial liabilities:						
Trade and other payables	24,670	-	24,670	24,992	-	24,992
Loans and borrowings	13,955	5,085	19,040	13,884	4,654	18,538
Total undiscounted financial liabilities	<u>38,625</u>	<u>5,085</u>	<u>43,710</u>	<u>38,876</u>	<u>4,654</u>	<u>43,530</u>
Total net undiscounted financial assets/(liabilities)	<u>32,257</u>	<u>(3,304)</u>	<u>28,953</u>	<u>2,224</u>	<u>(4,193)</u>	<u>(1,969)</u>
	Less than 1 year	2016 \$'000 1 to 5 years	Total	Less than 1 year	2015 \$'000 1 to 5 years	Total
Company						
Financial assets:						
Trade and other receivables	11,214	-	11,214	6,421	-	6,421
Cash and bank balances	18,170	-	18,170	1,573	-	1,573
Total undiscounted financial assets	<u>29,384</u>	<u>-</u>	<u>29,384</u>	<u>7,994</u>	<u>-</u>	<u>7,994</u>
Financial liabilities:						
Trade and other payables	6,007	-	6,007	5,845	-	5,845
Loans and borrowings	3,228	3,743	6,971	2,450	5,175	7,625
Total undiscounted financial liabilities	<u>9,235</u>	<u>3,743</u>	<u>12,978</u>	<u>8,295</u>	<u>5,175</u>	<u>13,470</u>
Total net undiscounted financial assets/(liabilities)	<u>20,149</u>	<u>(3,743)</u>	<u>16,406</u>	<u>(301)</u>	<u>(5,175)</u>	<u>(5,476)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

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
2016			
Fixed rate			
Bank term loans	-	-	-
Finance lease obligations	868	1,294	2,162
Trust receipts	3,708	-	3,708
Trade receivables factoring	2,726	-	2,726
Others	315	-	315
Floating rate			
Bank term loans	5,009	3,186	8,195
Bank overdrafts	548	-	548
Trust receipts	382	-	382
Others	51	-	51
2015			
Fixed rate			
Bank term loans	100	-	100
Bank overdrafts	632	-	632
Finance lease obligations	283	55	338
Trust receipts	3,296	-	3,296
Others	263	-	263
Floating rate			
Bank term loans	5,836	4,598	10,434
Trade receivables factoring	3,453	-	3,453

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONT'D)

Interest rate risk (cont'd)

Company	Less than 1 year \$'000	1 to 5 years \$'000	Total \$'000
2016			
Floating rate			
Bank term loan	2,960	3,186	6,146
2015			
Floating rate			
Bank term loan	2,459	5,175	7,634

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2015: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been \$92,000 (2015: \$139,000) higher/lower, arising mainly as a result lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a higher significantly volatility as in prior years.

Foreign currency risk

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

Sensitivity analysis

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

		Group	
		2016 \$	2015 \$
USD/SGD	- if strengthen by 10% (2015: 10%)	(638)	(666)
	- if weaken by 10% (2015: 10%)	638	666
GBP/USD	- if strengthen by 10% (2015: 10%)	(291)	(17)
	- if weaken by 10% (2015: 10%)	291	17
GBP/EUR	- if strengthen by 10% (2015: 10%)	(233)	(23)
	- if weaken by 10% (2015: 10%)	233	23

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. SEGMENT INFORMATION

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

- i. The Information Technology ("IT") Distribution business includes revenue derived from (i) Hardware Resale, which comprises income derived from the distribution of IT hardware, including but not limited to pre-owned servers, storage and networking equipment; and (ii) Supply Chain Management, where income is derived from assisting OEMs in the distribution of their goods as part of their supply chain activities.
- ii. Lifecycle Services business includes revenue derived from (i) the rendering of IT maintenance services for a variety of IT systems and networks; (ii) the provision of IT hardware as a service on a transaction-based pricing model; and (iii) the provision of service to extend the life of equipment and to extract greater value for retired technology, by means of equipment refurbishment and data destruction services, and asset disposal services to help our customers yield greater corporate and environment sustainability.

Management monitors the operating results of its segments separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is monitored based on revenue and gross profit. Selling expenses, administrative expenses, finance costs, assets and liabilities are managed on a legal entity basis and are not monitored by segments.

	IT Distribution		Lifecycle Services		Per consolidated financial statements	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue	106,320	99,564	29,430	23,250	135,750	122,814
Cost of sales	(74,866)	(72,131)	(14,847)	(9,061)	(89,713)	(81,192)
Gross profit	31,454	27,433	14,583	14,189	46,037	41,622

Geographical information

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

	Revenue	
	2016 \$'000	2015 \$'000
Singapore	32,893	17,463
Europe, the Middle East and Africa	37,437	41,447
Americas	60,418	59,963
Others	5,002	3,941
	135,750	122,814

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

30. SEGMENT INFORMATION (CONT'D)

Geographical information (cont'd)

	Non-current assets	
	2016 \$'000	2015 \$'000
Singapore	11,306	9,159
Europe, the Middle East and Africa	10,209	11,989
Americas	503	1,098
Others	3,608	3,677
	25,626	25,923

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

Information about a major customer

Revenue from one major customer amounted to \$7,181,000 (2015: \$7,118,000) arising from sales by the IT Distribution business.

31. CAPITAL MANAGEMENT

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

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

	Group	
	2016 \$'000	2015 \$'000
Loans and borrowings (Note 21)	18,087	18,516
Less: cash and bank balances (Note 19)	(30,006)	(4,932)
Net (cash)/debt	(11,919)	13,584
Total equity	67,082	34,324
Debt-to-capital ratio	N.M.	40%

N.M. – Not meaningful

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. EVENTS AFTER THE END OF THE REPORTING YEAR

- (a) On 23 January 2017, the Company entered into an operating agreement with Congruity LLC to provide a platform for the sale of refurbished technology hardware and to provide third party IT maintenance and support services customers. Procurri LLC, a wholly-owned subsidiary of the Company and Congruity LLC will incorporate a Delaware limited liability company, Rockland Congruity LLC (the "JV Company"). Procurri LLC shall subscribe for a 51%, and Congruity LLC shall subscribe for a 49%, membership interest in the JV Company for US\$51 and US\$49 respectively. Under the terms of the operating agreement, Congruity shall assign to Procurri LLC its right to distributions in respect of its 49% interest in the JV Company, for the period commencing from the date of incorporation of the JV Company to 31 December 2018.

33. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 28 March 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2017

SHARE CAPITAL INFORMATION

Number of shares	:	280,000,000
Class of shares	:	Ordinary shares
Voting rights	:	On a poll (One vote for each ordinary share)
Number of treasury shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of shareholders	%	Number of shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	124	13.16	123,100	0.04
1,001 – 10,000	354	37.58	2,285,400	0.82
10,001 – 1,000,000	441	46.82	23,029,800	8.23
1,000,001 AND ABOVE	23	2.44	254,561,700	90.91
Total	942	100.00	280,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of shares held	%
1	DECLOUT LIMITED	130,293,878	46.53
2	IRRUCORP PTE. LTD.	33,995,000	12.14
3	CITIBANK NOMINEES SINGAPORE PTE LTD	20,213,000	7.22
4	DBS NOMINEES PTE LTD	12,828,185	4.58
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	8,221,937	2.94
6	DBSN SERVICES PTE LTD	7,525,600	2.69
7	TAN WEI MENG	6,867,950	2.45
8	MATHEW GEORGE JORDAN	3,900,000	1.39
9	PHANG CHEE CAN	3,685,500	1.32
10	HSBC (SINGAPORE) NOMINEES PTE LTD	2,965,000	1.06
11	HONG LEONG FINANCE NOMINEES PTE LTD	2,946,100	1.05
12	OCBC SECURITIES PRIVATE LTD	2,684,500	0.96
13	MAYBANK KIM ENG SECURITIES PTE LTD	2,612,700	0.93
14	TAN JOON NGEE	2,334,150	0.83
15	SING INVESTMENTS & FINANCE NOMINEES PTE LTD	2,200,000	0.79
16	RAFFLES NOMINEES (PTE) LTD	1,867,100	0.67
17	BNP PARIBAS SECURITIES SERVICES	1,560,000	0.56
18	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,525,100	0.54
19	LEE SZE HAO	1,500,000	0.54
20	KGI SECURITIES (SINGAPORE) PTE LTD	1,360,400	0.49
	Total	251,086,100	89.68

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of substantial shareholders	Direct interest		Deemed interest	
	Number of shares	%	Number of shares	%
DECLOUT LIMITED	132,319,978	47.26	-	-
IRRUCORP PTE. LTD. ⁽¹⁾⁽²⁾	33,995,000	12.14	-	-
THOMAS SEAN MURPHY ⁽¹⁾	500,000	0.18	33,995,000	12.14
EDWARD JOHN FLACHBARTH ⁽²⁾	-	-	33,995,000	12.14

Notes:

- (1) Mr. Thomas Sean Murphy is a 20.68% shareholder in Irrucorp Pte. Ltd.. Mr. Thomas Sean Murphy is deemed to have an interest in the shares of the Company held by Irrucorp Pte. Ltd. by virtue of Section 7 of the Companies Act.
- (2) Mr. Edward John Flachbarth, is a 20.68% shareholder in Irrucorp Pte. Ltd.. Mr. Edward John Flachbarth is deemed to have an interest in the shares of the Company held by Irrucorp Pte. Ltd. by virtue of Section 7 of the Companies Act.

PUBLIC FLOAT

Based on the information available to the Company as at 17 March 2017, approximately 34.3% of the issued ordinary shares of the Company is held by the public as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Rules"). Accordingly the Company has complied with Rule 723 of the Listing Rules.

CORPORATE INFORMATION

COMPANY INFORMATION

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

REGISTERED OFFICE

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

BOARD OF DIRECTORS

Wong Kok Khun
Non-Executive Chairman

Thomas Sean Murphy
Executive Director and
Global Chief Executive Officer

Lim Swee Yong
Non-Executive Director

Ho Chew Thim
Lead Independent Director

Ng Loh Ken Peter
Independent Director

Wong Quee Quee, Jeffrey
Independent Director

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

COMPANY SECRETARIES

Teo Meng Keong
Loh Mei Ling

SHARE REGISTRAR

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

INDEPENDENT AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583

Partner-in-charge: Yeow Hui Cheng
(with effect from financial year ended
31 December 2016)

PRINCIPAL BANKER

DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

STOCK INFORMATION

Listed on the SGX-ST Mainboard
on 20 July 2016

Stock Codes

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

INVESTOR RELATIONS

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (“**AGM**”) of Procurri Corporation Limited (the “**Company**”) will be held at M Hotel, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Thursday, 27 April 2017 at 10.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors’ Statement and the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a final tax exempt 1-Tier dividend of S\$0.00475 for the financial year ended 31 December 2016 as recommended by the Directors **(Resolution 2)**
3. To note the retirement of Mr Wong Kok Khun who is retiring under Regulation 117 of the Company’s constitution (the “**Constitution**”) and he will not be seeking re-election at this AGM.

[See Explanatory Note (a)]

4. To re-elect the following Directors retiring pursuant to Regulation 122 of the Constitution:
 - a) Mr Ng Loh Ken Peter **(Resolution 3a)**
 - b) Mr Ho Chew Thim **(Resolution 3b)**
 - c) Mr Wong Quee Quee, Jeffrey **(Resolution 3c)**
 - d) Mr Lim Swee Yong **(Resolution 3d)**

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

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

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

Mr Lim Swee Yong will, upon re-election as a Director of the Company, remain as member of the Audit, Nominating and Remuneration Committees.

[See Explanatory Note (b)]

5. (a) To approve the payment of Directors’ fees of S\$137,000 for the financial year ended 31 December 2016; and **(Resolution 4a)**

NOTICE OF ANNUAL GENERAL MEETING

- (b) To approve the payment of Directors' fees of up to S\$456,000 for the financial year ending 31 December 2017.
(Resolution 4b)

[See Explanatory Note (c)]

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

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

AS SPECIAL BUSINESS

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

8. To appoint Mr Edward John Flachbarth as Executive Director of the Company.

[See Explanatory Note (d)]

(Resolution 6)

9. Authority to allot and issue shares

"That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and the Listing Rules, approval be and is hereby given to the directors of the Company (the "**Directors**") to:

- (a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of bonus, rights or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

- (2) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of passing this resolution, provided the share options or share awards were granted in compliance with the Listing Rules; and
 - (3) any subsequent bonus issue, consolidation or subdivision of Shares;
- (ii) in exercising the authority conferred in this resolution, the Company shall comply with the provisions of the Listing Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution; and
 - (iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (e)]

(Resolution 7)

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

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

[See Explanatory Note (f)]

(Resolution 8)

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

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

[See Explanatory Note (g)]

(Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

12. Proposed modifications and renewal of shareholders' mandate for interested person transactions

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

- (a) approval be given for the modification and renewal of the mandate for the Company and its subsidiaries that are considered to be “entities at risk” under Chapter 9 of the Listing Manual, or any of them, to enter into any of the transactions falling within the categories of interested person transactions set out in the appendix to the notice of AGM dated 12 April 2017 (the “**Appendix**”) with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms which are not prejudicial to the interests of the Company and its minority shareholders and are carried out in accordance with the review procedures of the Company for determining transaction prices for such interested person transactions set out in the Appendix (the “**Shareholders' Mandate**”);
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier;
- (c) the Audit Committee of the Company and/or any member of the Audit Committee of the Company be and is hereby authorised to take such action as it and/or he deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual which may be prescribed by the SGX-ST from time to time; and
- (d) authority be given to the Directors and/or any of them to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider necessary, desirable, expedient or in the interests of the Company to give effect to the Shareholders' Mandate and/or this resolution as they and/or he may think fit.

[See Explanatory Note (h)]

(Resolution 10)

BY ORDER OF THE BOARD

Teo Meng Keong
Company Secretary

12 April 2017

Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

- (a) Mr Wong Kok Khun will be appointed as an advisor of the Company upon his retirement as Non-Executive Chairman of the Company.
- (b) The key information of Mr Ng Loh Ken Peter, Mr Ho Chew Thim, Mr Wong Quee Quee, Jeffrey and Mr Lim Swee Yong can be found in the Board of Directors section in the annual report. All of them, if re-appointed as Directors of the Company (pursuant to ordinary resolutions 3a, 3b, 3c and 3d respectively), will remain as Directors of the Company.

Save for:-

- (i) their respective shareholding interests, direct or indirect, in the Company;
- (ii) in respect of Mr Ho Chew Thim being the lead independent director of DeClout Limited; and
- (iii) in respect of Mr Lim Swee Yong being the Head of Corporate Office of DeClout Limited,

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

- (c) The ordinary resolution 4a is to request Shareholders' approval for payment of Directors' fees for the financial year ended 31 December 2016. The Directors' fees are pro-rated with effect from 1 July 2016 and to be paid upon Shareholders' approval at the AGM.

The ordinary resolution 4b is to request Shareholders' approval for payment of Directors' fees (in cash and share base) on a current year basis, to be paid quarterly in arrears (for cash portion), calculated taking into account the number of scheduled Board and Board Committee meetings for the financial year ending 31 December 2017 and assuming that all non-executive Directors will hold office for the full year. In the event the Directors' fees proposed for the financial year ending 31 December 2017 are insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at next year's AGM for additional fees to meet the shortfall.

- (d) The Company has received a nomination from Mr Thomas Sean Murphy on 6 March 2017 nominating Mr Edward John Flachbarth as an additional director of the Company. A copy of the letter of nomination is set out in Appendix B to the annual report. The key information on Mr Edward John Flachbarth can be found in the Senior Management section in the annual report. The Nominating Committee and Board of Directors have reviewed the qualifications and experience of Mr Edward John Flachbarth and forward this nomination to the Shareholders.
- (e) The ordinary resolution 7 above, if passed, will empower the Directors from the date of the AGM until the date of the next AGM, or the date by which the AGM is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued Shares excluding treasury shares of the Company, of which the total number of Shares and convertible securities issued other than on a pro-rata basis to existing Shareholders shall not exceed 20% of the total number of issued Shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.
- (f) The ordinary resolution 8 above, if passed, will empower the Directors to grant share options under the ESOS and to allot and issue Shares upon the exercise of such share options in accordance with the ESOS.
- (g) The ordinary resolution 9 above, if passed, will empower the Directors to grant share awards under the PSP and to allot and issue Shares in accordance with the PSP.
- (h) The ordinary resolution 10 above, if passed, will modify and renew the shareholders' mandate for interested person transactions to enable the Company and its subsidiaries that are considered to be "entities at risk" under Chapter 9 of the Listing Manual, or any of them, to enter into certain interested person transactions with a specified class of interested persons, as described in the Appendix. Please refer to the Appendix for more details.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than 2 proxies to attend, speak and vote at the AGM. A proxy needs not be a member of the Company. Where a member appoints more than 1 proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form (expressed as a percentage of the whole).
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than 2 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with the Constitution and Section 179 of the Companies Act.
5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the Company's Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898 not later than 48 hours before the time set for the AGM.
6. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

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

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

PERSONAL DATA PRIVACY

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

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PROCURRI CORPORATION LIMITED

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

IMPORTANT:

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

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of annual general meeting dated 12 April 2017.

*I/We _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

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

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

or failing which, the chairman of the annual general meeting of the Company (the "AGM"), as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the AGM to be held at M Hotel, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Thursday, 27 April 2017 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the ordinary resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the AGM.

NO.	RESOLUTIONS RELATING TO:	FOR**	AGAINST**
	Ordinary Business		
1.	Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement and the Auditors' Report thereon		
2.	Final tax exempt 1-Tier dividend of S\$0.00475 for the financial year ended 31 December 2016		
3a.	Re-election of Mr Ng Loh Ken Peter as a Director of the Company		
3b.	Re-election of Mr Ho Chew Thim as a Director of the Company		
3c.	Re-election of Mr Wong Quee Quee, Jeffrey as a Director of the Company		
3d.	Re-election of Mr Lim Swee Yong as a Director of the Company		
4a.	Payment of Directors' fees of S\$137,000/- for the financial year ended 31 December 2016		
4b.	Payment of Directors' fees of up to S\$456,000/- for the financial year ending 31 December 2017		
5.	Appointment of Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
6.	Appointment of Mr Edward John Flachbarth as Executive Director of the Company		
7.	Authority to allot and issue shares		
8.	Authority to grant share options, allot and issue shares under the ESOS		
9.	Authority to grant share awards, allot and issue shares under the PSP		
10.	Proposed modifications and renewal of shareholders' mandate for interested person transactions		

Notes:

* Please delete accordingly

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

Dated this _____ day of _____ 2017.

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

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

IMPORTANT: Please read notes overleaf



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4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with the Constitution and Section 179 of the Companies Act.
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6. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register as defined under the Securities and Futures Act, Chapter 289 of Singapore, he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
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P R O C U R R I

PROCURRI CORPORATION LIMITED

(Company Registration Number: 201306969W)

(Incorporated in the Republic of Singapore on 15 March 2013)

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