PROCURRI

# Helping provide greener IT solutions

Annual Report 2021

Global Maintenance

Lifecycle & ITAD

Hardware Supply

Distribution Services

# Contents



# Our Values

**Procurri is a leading global provider of sustainable IT solutions. Our mission is to help enterprises increase the sustainability of their IT hardware operations by reducing cost, lengthening uptime, and reducing environmental footprint. With our three offerings, Third Party Maintenance ("TPM"), IT asset disposition ("ITAD"), and cost-effective enterprise hardware, we help the channel community bring the Cloud closer.**

## Excellence

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

## Innovation

A key driver of Procurri's success and growth is our ability to continuously innovate the customer experience based on clients' needs across a breadth of industries. Procurri constantly seeks new and improved ways to better serve the needs of our customers and partners. Creativity and a dare-to-experiment attitude are traits we value and nurture.

## Commitment

As industry experts, we take pride in being accountable for everything that we do at Procurri. We commit to deliver the best results in every aspect of our service, be it packing a server or managing a complex project. Our dedication is illustrated through our consistent high quality of service delivery which resonates throughout our organization globally.

## Integrity

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

## Vision

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

## Mission

To be the global aggregator of enterprise hardware and services to deliver the best total cost of ownership for data center hardware.

# Who We Are

**Procurri Corporation Limited (the "Group" or "Procurri") is a leading global independent provider of sustainable IT solutions. The Group has been listed on the Main Board of the Singapore Exchange Securities Trading Limited since 20 July 2016.**

The Group's platform acts as a global aggregator for businesses to purchase, dispose and manage the lifecycle of enterprise hardware, including services such as maintenance, leasing and rental, in over 100 countries through its global network of 22 offices and extensive partner locations.

**22**
Offices

**100+**
Countries Under Coverage

**480+**
Employees


**S$249.6M**
Revenue

**S$60.5M**
Gross Profit

**S$8.9M**
EBITDA


**S$4.4M**
Net Profit After Tax

**S$135.9M**
Total Assets

**S$57.4M**
Shareholders Equity

# Partnering with our customers to deliver sustainable IT solutions

# Message from the Chairman and Global CEO

**Dear Fellow Shareholders,**

On behalf of the Board of Directors (the "Board") of Procurri Corporation Limited ("Procurri" and together with its subsidiaries, the "Group"), I am pleased to present the annual report for the financial year ended 31 December 2021 ("FY2021").

Despite residual macroeconomic headwinds from the COVID-19 pandemic in FY2021, Procurri continued to lean into building the future of sustainable IT hardware, and we are satisfied to have reported a new record of S$249.6 million in revenue for the Group. Net profit grew +65% to S$4.4 million in FY2021, representing a balance between underlying business profitability and investments are making to strengthen Procurri's growth prospects.

In 2021, I wrote that "we believe that in every crisis, there are opportunities". This remains a firm belief held by Procurri, and we see recovery and progress across our business and amongst our clients. This message of hope and prosperity has seen our much-valued customers stick with us through the tumultuous times of the last two years and has attracted many new ones. We look not just to brighter times ahead for business but for society too, through healing, collaboration and innovation. The hope the world feels for better is something we can all draw strength from.

Procurri has continued to invest in our business through 2021; re-modelling into three global towers in Maintenance, Lifecycle Services & ITAD and Hardware; a change from our historical regional model (Asia Pacific "APAC", Americas, Europe, Middle East and Africa "EMEA"). This has provided a smoother feel for our global customers who now experience a 'like' touch globally and released trapped resource and expertise from each region to benefit the global business. We continue to have a strong interest within the sustainability sphere, searching out and delivering green(er) solutions for our channel partner community, helping them monetize sustainability. Businesses can aim not just to survive but to thrive with our support.

Our optimism in the growth of our markets has been underscored by support from leading industry analysts. Gartner's most recent analysis on the industry suggests that by the end of 2021, they expect the number of TPM related RFI/RFPs that are multi-platform and/or multi-vendor to increase by an impressive 35%. TPM is truly becoming more mainstream and is no longer considered just a point solution for servers, storage, or networking. We look forward to it becoming the 'norm' in the industry.

Procurri launched Project Unity at the end of 2020, and this continued to roll out throughout the global maintenance business during 2021, working towards aligning our maintenance delivery from one single global platform, providing a portal for both customers and internal resource to collaborate and share data surrounding maintenance. Delivering a consistent approach to service excellence through all aspects of our business remains a priority - offering a 'one stop shop' for customers is more evidence of our continued aim to put our customers at the heart of everything we do. Our phrasing here is key. In unity and togetherness there is strength; both in personal and professional terms.

We have overseen rapid growth within our Lifecycle Services & ITAD business during 2021. Much of the foundation laid in 2020 opening new German and Canadian facilities along with re-developing the Boston facility during 2021 has proved valuable in attracting new customers with global requirements. Similarly, we have continued to invest in best practice processes, adding ISO 9001, 14001, 27001 and R2 accreditations to our USA Boston facility.

Consumer appetites and attitudes are changing - no surprise given the unprecedented times we are all living through. The events of 2020 have seen many businesses finally acknowledge that they need to act sustainably to survive. Companies are seeking partners with the expertise not only to grow sustainable IT practices, but also to lower costs and increase performance for "triple bottom line" performance. Procurri's deep expertise and mature solutions make us a natural choice for many customers. We are seeing growing competitive advantage as a result and believe this will only continue. Offering powerful sustainability credentials alongside hefty financial savings form a business case that few can turn down - and also reflect society's push to do, and be, better on the back of such large-scale worldwide adversity.

## Entering The Next Wave of Circular IT

Procurri is not just delivering sustainability for our customers: we seek to lead by example and embody sustainability as a company. Among our enterprise-wide sustainability commitments, we have pledged to a number of movements, such 'Support the goals', being awarded a 5-star rating in recognition of our support for the UN's sustainable development goals, and 'Techies go Green'. These goals will help to tackle poverty, inequality, and climate change and this call to action will help protect the planet and improve the lives and prospects of everyone, everywhere.

Procurri understands change is not about one organization or person trying to take on everything, but about all of us changing what we can, improving on what we do today for the benefit of all tomorrow. We have been highly commended by CRN for the 'Best Circular Economy Company' at the CRN Tech Impact Awards, but to collect this accolade alongside, the 'Sustainable Project of The Year' Award further reinforced Procurri's commitment to the sustainability goals we work towards.

The next wave of Circular IT is truly beginning, and we are seeing more and more customers choose to work with Procurri, leveraging our sustainability credentials. Our long-term hard work on carbon reduction and green(er) solutions is well recognized within the industry and further afield; and we intend to continue searching out and delivering authentically green solutions to our channel partners.

Where customers look to make business decisions with the environment in mind, Procurri will always win.

## Appreciation

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers, and business partners for their continued support. I would also like to extend my appreciation to our management team and employees for their dedication and hard work over the past year despite the challenging environment. We will continue working together to execute our long-term strategy on increasing investor engagement and reporting further progress as we continue to navigate through the global market.

Sean Murphy
Chairman and Global CEO

# Gartner's Industry Trends

## The IT Channel

### Excerpts from Gartner's e-book 'Top Priorities for IT Leadership'

For those businesses that have survived through the demands of Covid-19 thus far, a newfound **Focus on Sustainability** turns business priorities long-term. While perhaps not always embracing new sustainability initiatives for environmental reasons, organizations are indeed looking toward IT solutions that will continue to deliver great value and service for their customers in it for the long haul. Procurri's entire service portfolio plays into this and our expertise in having managed sustainable services for so long.

### Remote Working

**Remote Working** - companies continue to embrace remote working and Procurri's solutions for remote device inventory management alongside the deployment of sustainable laptops through Circular Computing has helped deliver efficiencies. Back in 2020, 52% of CIOs expected home working to increase this year, and it certainly has not waned.

### Consumer Ethics

One trend seen across not just IT but all industries is an increase in **Consumer Decision Making Based On Ethics.** In 2021, more than ever before, consumers are deciding which businesses to purchase from and work with considering their environmental and ethical policies and values.
As new generations of consumers bring to commerce their perspectives and appetites, we see a shift from the standard commercialization of old to something more responsible. This finally cements corporate social responsibility standards as a 'must-have' for those in IT rather than just a 'nice-to-have' and dictates a need for tangible results-driven sustainability programs.

### Plugging Skills Gaps

With many organizations having been forced to downsize their staff numbers through the pandemic, **Plugging Skills Gaps** is imperative to continue on with business services while minimizing customer disruption. Procurri's 'always-on' technical support worldwide helps provide expert hardware troubleshooting, support and break-fix maintenance with no requirement to have such technical resources in-house. On the same theme, the **Enablement of Anywhere Operations** provided by Procurri is increasingly in demand as organizations have found themselves at the end of rising customer expectations even despite the enduring topsy-turvy nature of economies and operations worldwide. Our reliable team of experts maintain specialist service 24 hours a day, 7 days a week, 365 days.

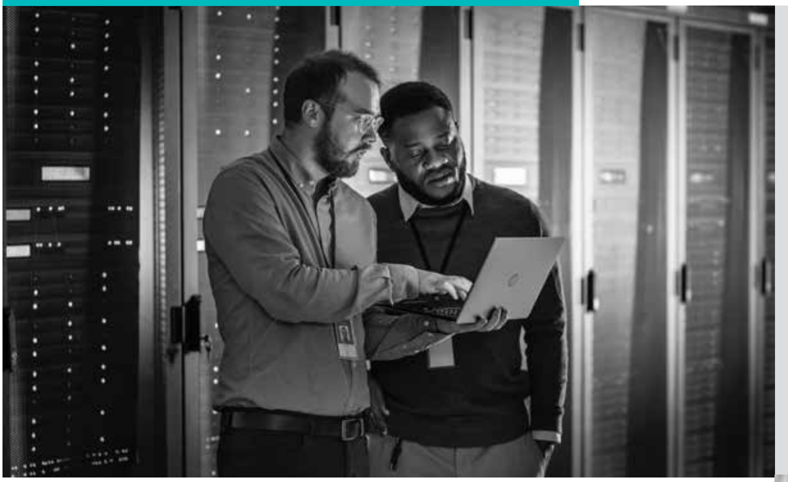
### Manage Technical Debt

The ability for businesses to **Manage Technical Debt** efficiently carries on as a top priority for organizations looking to survive and to streamline their resources, workflows and capabilities across departments and workers. Reducing technical debt is necessary for continued innovation; and the savings in both capex and opex that Procurri provide through hardware rentals, extended equipment lifecycles and maintenance services help decrease costs and increase value.

### 'Always On' Service

**Increased Expectation for An 'Always On' Service**. Where consumers had understood that the demands on businesses were too high during the last year and allowed them some slack in the climate of immediate responses and 24/7 contact, as restrictions have eased and guidance loosened expectations are back to an all-time high for swift and satisfactory service. Procurri's 24/7/365 support services operate on a 'follow-the-sun' basis, switching between global centres of expertise in accordance with their time-zones and relevant business hours.

# What We Do

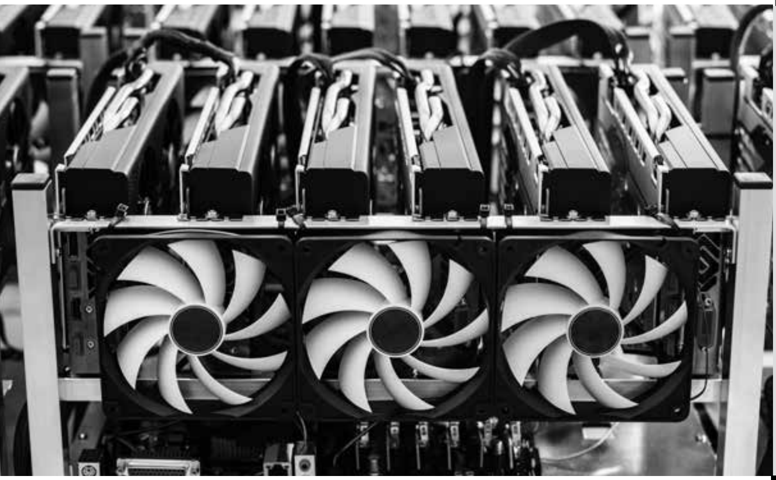


## Global Maintenance

Procurri is a 100% channel dedicated provider of independent maintenance for enterprise servers, storage and networking.

## Lifecycle & ITAD

Our Lifecycle services and ITAD solutions ensure organizations balance environmental and sustainability risks along with security risk.



## Hardware Supply

Procurri is a channel dedicated, global provider of services, legacy hardware and new OEM authorized spares that are compliant with existing OEM agreements.

## Distribution Services

Procurri is an authorized parts provider for numerous OEMs across many regions.

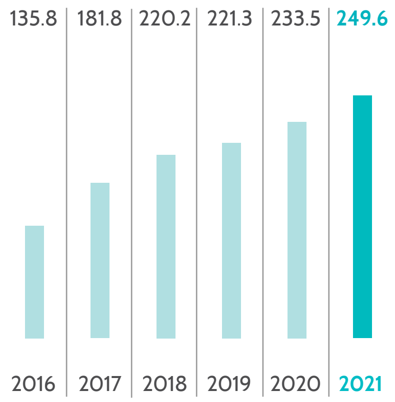
# 5-Year Financial Highlights

| Financial year ended 31 December | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| **Income Statement (S$'000)** | | | | | |
| Revenue | 249,628 | 233,467 | 221,289 | 220,236 | 181,822 |
| Gross Profit | 60,498 | 64,745 | 78,104 | 80,503 | 58,968 |
| EBITDA | 8,877 | 12,637 | 17,345 | 19,737 | 6,914 |
| Profit before Tax | 3,856 | 4,031 | 4,737 | 10,077 | (2,276) |
| Net Profit after Tax | 4,446 | 2,696 | 3,775 | 5,337 | (2,749) |
| **Balance Sheet** (S$'000) | | | | | |
| Inventories | 20,928 | 26,035 | 26,354 | 21,816 | 21,424 |
| Total Assets | 135,944 | 129,716 | 149,914 | 141,326 | 140,571 |
| Total Loans & Borrowings | 12,082 | 21,028 | 16,693 | 14,087 | 21,414 |
| Total Liabilities | 78,559 | 77,213 | 103,214 | 72,285 | 76,729 |
| Total Equity | 57,385 | 52,503 | 46,700 | 69,041 | 63,842 |
| **Cash Flow** (S$'000) | | | | | |
| Cash Flows from Operating Activities | 9,440 | 27,479 | 18,413 | 11,037 | 13,381 |
| Cash Flows from Investing Activities | 899 | 2,728 | (1,148) | (7,004) | (26,254) |
| Cash Flows from Financing Activities | (12,653) | (10,503) | (16,231) | (9,061) | 2,274 |
| **Per Share Information** (Singapore Cents)* | | | | | |
| Earnings per Share – Basic | 1.51 | 0.92 | 1.33 | 1.89 | (0.98) |
| Net Tangible Asset per Share | 15.25 | 13.61 | 11.60 | 19.74 | 17.73 |
| Net Assets Value per Share | 19.50 | 17.88 | 16.40 | 24.25 | 22.63 |
| Number of Shares ('000) | 294,238 | 293,687 | 284,689 | 284,689 | 282,057 |
| **Ratios** | | | | | |
| Debt-to-Equity Ratio | (0.305) | (0.221) | (0.008) | (0.06) | 0.05 |
| Current Ratio | 1.54 | 1.61 | 1.24 | 1.57 | 1.45 |

* As at 31 December of the respective years

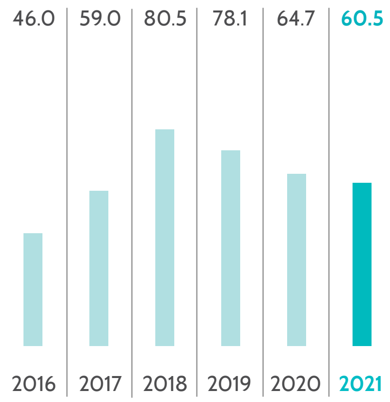
**Revenue** (S$million)

+**6.9**%



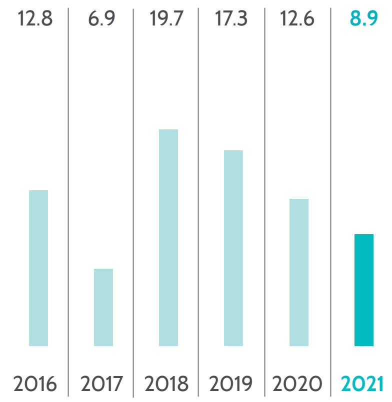

**Gross Profit** (S$million)

-**6.6**%



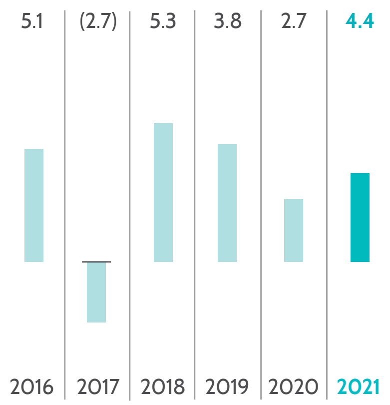

**EBITDA** (S$million)

-**29.8**%



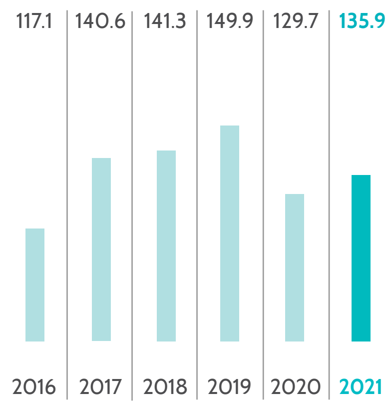

**Net Profit After Tax** (S$million)

+**65.0**%



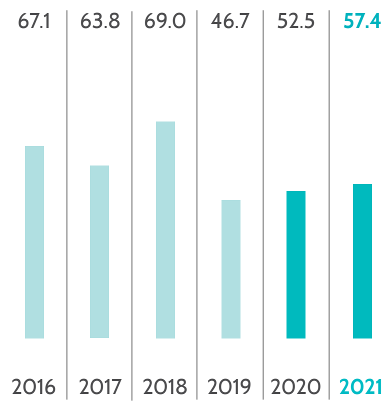

**Total Assets** (S$million)

+**4.8**%




**Shareholders' Equity** (S$million)

+**9.3**%



# Financial Review

The Group delivered record revenue of S$249.6 million in FY2021, representing 6.9% year-on-year ("**YoY**") growth. Hardware, Lifecycle Services and ITAD revenue grew 14.2% YoY to S$193.5 million; and TPM saw a 12.3% YoY decrease in revenue to S$56.2 million.

Geographically, the Americas' revenue increased 2.6% YoY to S$134.6 million in FY2021 and accounted for 53.9% of the Group's revenue. This was followed by the EMEA which continued its upward growth, rising 17.4% YoY to S$99.4 million in FY2021. The APAC region, however, saw a 11.1% YoY decline in revenue to S$15.6 million in FY2021.

The Group's overall gross profit decreased 6.5% from S$64.7 million in FY2020 to S$60.5 million in FY2021 as a result of lower gross profit margin and the increase in allowance for stock obsolescence. The Group's overall gross profit margin decreased by 3.5 percentage points from 27.7% in FY2020 to 24.2% in FY2021. The increase in allowance for stock obsolescence was mainly due to increase in aged inventories and the Group's policy to mark down multi-generational inventories to net realizable value. The procurement of inventories is subject to IT equipment market volatility by nature.

The Group recorded S$2.4 million in government support programs relating to COVID-19 pandemic and included the recognition of the loans forgiven under the Paycheck Protection Program (the "PPP") in FY2021 as compared to S$5.4 million in FY2020. The PPP was established by the United States Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") to provide financial assistance to businesses to keep their workforce employed during the COVID-19 crisis. The loans can be forgiven when certain criteria is met. As a result, other income decreased from S$6.1 million in FY2020 to S$2.8 million in FY2021. Other credits increased by S$0.9 million, from S$0.2 million in FY2020 to S$1.1 million in FY2021, mainly due to the foreign exchange gain from the revaluation of USD, GBP and EUR denominated receivables.

Administrative expenses decreased by S$10.5 million, from S$43.0 million in FY2020 to S$32.5 million in FY2021, mainly due to the decrease in staff cost. Staff cost decreased 31.0% year-on-year mainly from a lower headcount and the reclassification of some employees' salaries to selling expenses. Total staff cost excluding sales commission decreased by 12.4% from S$35.0 million in FY2020 to S$30.7 million in FY2021.

Finance cost decreased by S$0.5 million as a result of the lower borrowings.

Other charges decreased by S$1.5 million, from S$1.9 million in FY2020 to S$0.4 million in FY2021, mainly due to the decreased in allowance for trade receivables and the exchange loss and goodwill impairment recorded in FY2020.

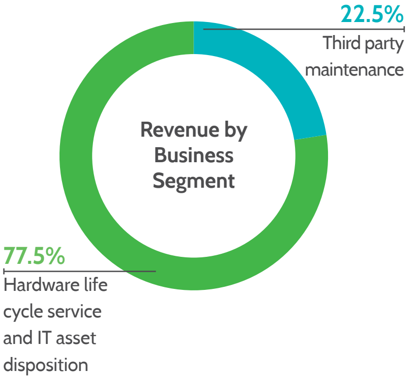
As a result of the above, the Group recorded a pre-tax profit of S$3.9 million in FY2021. The Group recorded an income tax credit of S$0.6 million in FY2021 as compared to income tax expense of S$1.3 million in FY2020 as a result of reversal of over provision of income tax relating to COVID-19 pandemic loans forgiven under the PPP. Profit after tax stood at S$4.4 million in FY2021 as compared to S$2.7 million in FY2020.

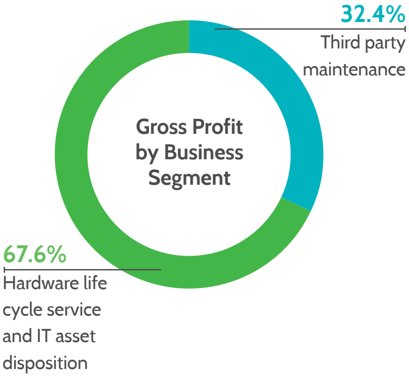
### Hardware, Lifecycle Services and IT Asset Disposition

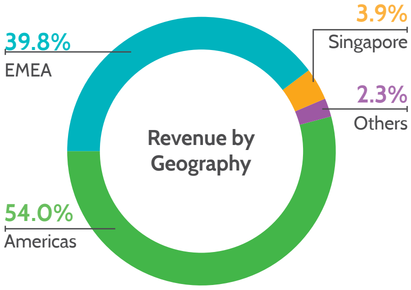
The Group Hardware Lifecycle Services and ITAD business segment's revenue grew 14.2% YoY from S$169.4 million in FY2020 to S$193.5 million in FY2021 and accounted for 77.5% of Group's revenue. Gross profit increases 18.7% YoY from S$34.5 million in FY2020 to S$40.9 million in FY2021.

### Third Party Maintenance

The Group TPM business segment gross profit decreased by 35.3% from S$30.3 million in FY2020 to S$19.6 million in FY2021 as sales activity remained muted while the Group focused on upgrading its TPM operational infrastructure.



# Operations Review

While the COVID-19 pandemic presented headwinds to sales efforts in 2019, the Group took advantage of a softer environment to automate and strengthen its TPM operations and delivery platform globally in FY2021.

The business identified during 2020 that operating regionally (through APAC, the Americas and EMEA) was, on occasion, leading to a disconnect or a feeling of clumsiness for some of our global clients as global opportunities were handed between regions to deliver; with each region having a slightly different way of working. To help address this, 2021 saw the group re-align into three global towers; Maintenance, Lifecycle Services & ITAD, and Hardware & Distribution. Much of 2021 was spent aligning each tower, unlocking talent in each region to further benefit the global group.

A key ambition during 2021 has been aligning our global IT platforms. It was elected to utilize an in-house platform named Morse to deliver our Lifecycle Services and Hardware business from and to continue our investment in the Salesforce application for Maintenance, with both front-end applications feeding into Navision BC for financial controls and reporting. This has been successfully implemented into all Procurri core facilities, providing us with a consistent platform to build and report from 2022 onwards.

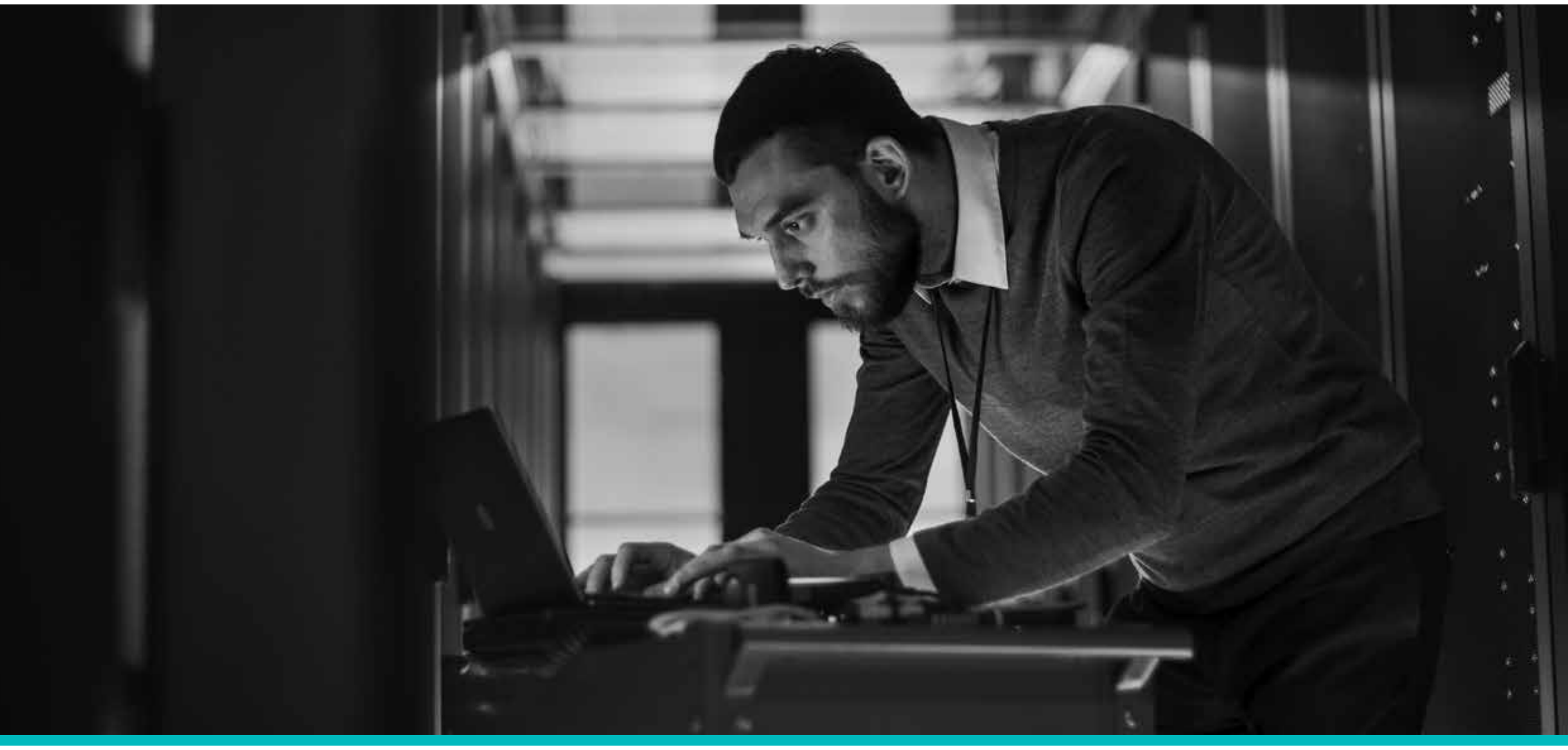
Sustainability has continued to drive global sentiment and Procurri has witnessed positive traction within all three of our towers, leveraging our environmental and sustainability messaging. We believe we are well positioned to continue to drive value for and into our channel partners.

## Maintenance

2021 proved a challenging year for our Maintenance tower with much of it spent on refining global delivery and implementing our global Sales force platform. As a result of the team's efforts, the outlook is bright for 2022 to capitalize on the efforts made during the year.

Several positive strategic hires to the team been made during 2021, boosting the number of specialist staff and expanding the team's talent.

The continued integration of the Americas, EMEA and APAC for Maintenance has resulted in positive feedback from many of our global customers. The APAC region is driving impressive margins with big-name strategic customers including Dell, HP and IBM, and is working across the group to expand these relationships into other geographies. Procurri's European Maintenance colleagues continue their strong hold on twitch accounts and collaboration stems from there too into the Americas and APAC.



We anticipate further gains from the alignment of a global Maintenance division within the group, with dedicated Maintenance specialists helping deliver a single-minded focus on growing contract values.

## Lifecycle Services & ITAD

Procurri's ITAD business is the youngest of the Group's towers, but made rapid progress in 2021, capitalising on the global demand for sustainable IT solutions. The ITAD business secured ISO certifications including ISO 901, 14001, 27001 and R2 accreditation. Existing ITAD processing facilities throughout the USA, Canada, UK, Germany, Singapore and Malaysia all continue to operate to a consistent processing standard with ISO 9001 and 14001 documentation providing a proven full chain of custody.

### Facility development

Tackling a single facility at a time to ensure comprehensive project management and focus, ITAD begun by working at the Boston site. Working to manage and move stock and install a state-of-the-art data wiping room alongside other new security facilities, this vast project moved and grew along the way but was all delivered and completed within the year - despite several setbacks and unexpected hurdles along the way requiring significant on-the-ground manpower. The Boston facility has now been successfully expanded to almost 70,000 square feet.

### Continuing development of strategic relationships

The smart and streamlined operations ITAD had adhered to throughout 2021 has been largely attributable to its ongoing positive strategic relationships with partners. The partner network has continued to work hard to accommodate additional service and the Procurri team have continued to develop new and existing partnerships with parties worldwide; including area of the supply chain not previously explored, including contract manufacturers.

### Global growth

The new entity in Canada has been grown markedly by the ITAD team throughout 2021. Capability in Canada is now being expanded beyond ITAD and Lifecycle Services into full repair following its rapid gains.

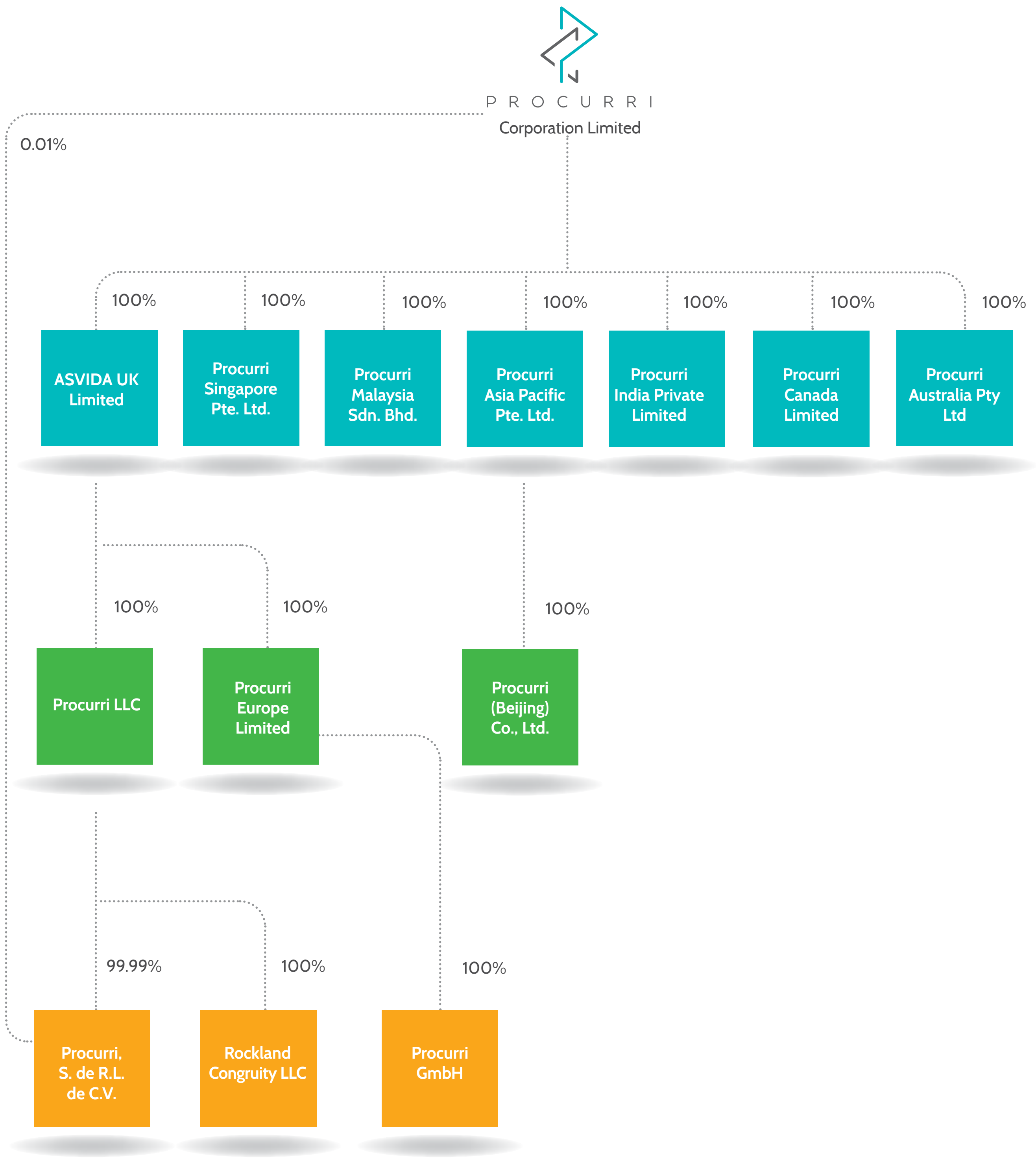
## Hardware & Distribution

Our Global Distribution business performed well during 2021, leveraging planning techniques to the benefit of both the EMEA and the Americas regions, especially within the HPE Replacement Parts distribution space. We also saw good growth within the Dell product line, benefiting from a global win to supply servers within the USA.

Our hardware business continued to perform well, recording strong growth in 2021. We continued to manage down inventory to increase business agility and working capital efficiency. To this end, the Group was able to reduce hardware legacy inventory significantly in 2021, although this resulted in lower Profit Before Tax from the hardware business due to the one-time flow-through of state inventory through the business. In addition to increasing inventory efficiency, the Group rolled out a global software platform (Morse) to upgrade inventory management, reporting visibility, and automation in its hardware operations.

We expect that the benefits of more efficient working capital and improved systems should flow into the business from 2022 onwards. We have seen some stronger sales generated within APAC business in the second half of 2021, with our new sales team in Malaysia starting to contribute at a meaningful level. Our APAC business should further benefit in 2022 from the introduction of the Morse platform, providing them with more dynamic sales tools than they currently access.

# Group Structure



# Board of Directors

**Thomas Sean Murphy**
Chairman & Global Chief Executive Officer

Mr. Thomas Sean Murphy was appointed to our Board on 2 January 2014. He has more than 30 years of experience in the IT industry, and is responsible for the strategic planning and overall management of the Group. Mr. Murphy began his career in technology sales, and within 10 years worked his way to the position of Vice President of International Sales at Sun Data Systems, Inc., overseeing sales in over 70 countries. In 1998, together with three partners, he launched Canvas Systems, LLC ("Canvas Systems"), one of the world's largest independent resellers of pre-owned, enterprise computer systems with offices in the USA, the UK and Netherlands. Canvas Systems was acquired by Avnet, Inc. in 2012. Mr. Murphy's string of tech successes in the USA also includes co-founding Optimus Solutions Inc. in 2001, which was sold to Softchoice Corporation in 2008.

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

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

**Loke Wai San**
Non-Independent Director

Mr. Loke was appointed to our Board on 29 April 2019 as a Non-Independent, Non-Executive Director. He is a member of our Audit, Remuneration, Strategy and Nominating Committees. He is also the Chairman and Director of AEM Holdings Ltd and has been an Independent Director on the Board of Enterprise Singapore since 1 April 2020.

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

**Peter Ng Loh Ken**
Lead Independent Director

Mr. Peter Ng is our Lead Independent Director. He was first appointed to our Board on 27 June 2016 and last re-elected as Director on 29 April 2019. He serves as the Procurri Audit Committee Chairman and is a member of our Nominating Committee. 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 an Independent Director and the Audit Committee Chairman of iFAST Corporation Limited and iFAST Financial Pte Ltd. Mr. Ng was the General Manager of Investments in Hong Leong Assurance Bhd, based in Malaysia. For nine years till 1996, he served as the Head of Treasury, Investments and Corporate divisions at various stages of his career with The 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.

## Lim Swee Yong
Non-Independent Director

Mr. Lim Swee Yong was appointed to the Procurri Board on 9 November 2021. He is a member of our Audit Committee.

Mr. Lim is currently the CEO of DeClout Ventures Pte. Ltd. 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 specializing 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.

## Dr. Lim Puay Koon
Independent Director

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

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

## Wong Quee Quee, Jeffrey
Independent Director

Mr. Jeffrey Wong was first appointed to the Procurri Board on 27 June 2016 and last re-elected as a Director on 29 April 2019. He chairs our Nominating and Remuneration Committees and is a member of our Audit Committee. He has more than 20 years of experience in corporate transactional work covering the legal and investment banking aspects. Mr. Wong is currently the Chief Executive Officer of SooChow CSSD Capital Markets (Asia). Prior to joining SooChow CSSD Capital Markets (Asia), he held various senior positions within the Religare Capital Markets group. Before Religare Capital Markets, Mr. Wong worked at UBS AG and Allen & Gledhill LLP.

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

Mr. Wong graduated with a Bachelor of Laws (Honours) from the National University of Singapore and is qualified to act as an advocate and solicitor of the Singapore Supreme Court and as a solicitor of Supreme Court of England and Wales. He is also a Chartered Valuer and Appraiser, Institute of Valuers and Appraisers Singapore.

## Mr. Keith Toh
Non-executive Director
(alternative Director to Wai San)

Mr. Keith Toh was appointed as a non-executive Director of Procurri on 1 June 2021. Mr. Toh is a Partner at Novo Tellus, a private equity fund focused on technology and industrials investments in Southeast Asia. Mr. Toh was formerly a Principal at Francisco Partners L.P., a leading global technology-focused private equity fund. Mr. Toh focuses on investments in global technology sectors including advanced manufacturing, software and cloud infrastructure, semiconductors, sustainable IT, internet platforms, and optical communications. He has held numerous board positions over the last decade for technology companies worldwide including directorships at ISDN Holdings, a company listed on the Singapore SGX main board; Novo Tellus Alpha Acquisition, a company listed on the Singapore SGX main board; Source Photonics Inc, an optical components manufacturer; Aconex Ltd., a company formerly listed on the Australian Stock Exchange and acquired by Oracle in 2017; AEM Holdings Ltd, a company listed on the Singapore SGX main board; Numonyx BV, a semiconductor memory manufacturer; and Mincom Pty Ltd, a global enterprise software company. Previously, Mr. Toh was a product lead at Trilogy, an enterprise software company, and held research roles at Stanford University and the Singapore Ministry of Defense.

Mr. Toh holds a Bachelor of Science in Electrical Engineering from Stanford University.

# Senior Management Team

Procurri's senior management team includes **Mr. Thomas Sean Murphy**, our Chairman and Global CEO,

## Mathew Jordan
Global Head of Lifecycle Services, Hardware and Distribution

**Mr. Mathew Jordan** joined Procurri in 2014 as Sales Director and was appointed as our Head of Europe, Middle East and Africa ("**EMEA**") in 2016. He now oversees the Group's operations in EMEA as well as the Global Lifecycle Services, Hardware and Distribution divisions. Mr. Jordan has over 20 years of working experience in product sales. In 2005, Mr. Jordan participated in a management buyout of Tindirect Ltd, following which he became an owner of the holding company, Tinglobal Holdings Limited, which is now renamed as Procurri Europe Limited.

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

## Zachary Sexton
Global President

**Mr. Zachary Sexton** joined Procurri in January 2013 as President of Procurri LLC helping launch our US business. He was later appointed Head of the Americas in 2016 and is now responsible for our Group's Global Accounts.

Mr. Sexton has more than 19 years of working experience in data center hardware and services. He started his career at Canvas Systems, LLC in IBM broker sales and worked in a variety of roles before being promoted to Strategic Account Manager, focusing exclusively on delivering secondary market solutions to the channel.

Mr. Sexton graduated with a Bachelor of Science in Business Administration from the University of North Carolina at Chapel Hill and was selected in 2016 as one of Atlanta's 40 under 40 by the Atlanta Business Chronicle.

## Matthew Trial
Global Chief Operating Officer

**Mr. Matthew Trial** joined Procurri in December 2016 as Chief Operating Officer for Procurri LLC and was appointed as our Head of Asia-Pacific in July 2018. He oversees our Group's Global operations.

A Certified Public Accountant, Mr. Trial also served as Procurri LLC's Financial Controller between 2013 and 2015. He previously headed operations at a NASDAQ-listed hospitality software technology company.

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

# Senior Management Team

**Stephanie Sin**
Group Chief Financial Officer

**Ms. Stephanie Sin** was appointed as the Group Chief Financial Officer in January 2022. She is responsible for the Group's accounting and financial function. Ms. Sin has more than 15 years of experience in accounting and financial management in various industries including retail, manufacturing, pharmaceutical and information technology.

Ms. Sin was the Corporate Finance Manager of Metal Component Engineering Limited prior to joining the Group as the Group Finance Manager in 2017. She most recently served as the Director of Finance (Projects) of iX Biopharma Limited.

Ms. Sin is a Chartered Accountant of the Institute of Singapore Chartered Accountants as well as a Fellow Member of the Association of Chartered Certified Accountants.

**Evrim Evraci**
Global President, ITAD & Lifecycle Services

**Mr. Evrim Evraci** joined Procurri as Executive Vice President and Head of Global ITAD in April of 2019 and has since been appointed President, Global Hardware & Lifecycle Services as of October 2020. He is responsible for our Group's Hardware, ITAD, and Lifecycle Services operations globally.

Mr. Evraci has over two decades of IT industry experience working in a variety of roles ranging from Business Development, Sales & Purchasing, CFO, CEO, and Managing Director/Partner. He currently focuses on programmatic ITAD and Lifecycle Service solutions for a wide range of companies ranging from Fortune 100 to small and mid-size enterprises, with an emphasis on seamless and secure solutions for the most demanding clients.

Mr. Evraci graduated from the University of Iowa with degrees in finance and computer science.

**JJ Jeanguenat**
Global Head, Maintenance

With more than 15 years in the information technology field, Mr. Jeanguenat helped form Procurri in December 2012 as Co-President/Managing Partner. The goal set forth for Procurri is to be world's leading independent distributor of Enterprise Data Center IT Hardware and Services.

**Natasha Maguire**
Global Marketing Director

**Ms. Natasha Maguire** joined Procurri in 2017 to lead marketing for the EMEA region and was appointed to Global Marketing Director in 2021. Natasha is responsible for overseeing the marketing strategy, planning and execution for the Procurri group. With over 20 years' experience in Marketing, Natasha is a hands-on, results-driven, agile marketing leader who works with key stakeholders and the executive management team within the business to help grow sales and improve customer engagement through digital marketing and automation.

Natasha's professional background is in B2B tech and channel marketing working with large OEMs. such as IBM, Cisco, NetApp and HPE. She holds a BA Communications degree from the University of Lincoln.

# Sustainability Report

## Taking The Next Step Sustainably

# Contents

# Board Statement

## Dear Investors

We are satisfied that, despite lingering headwinds from the COVID-19 pandemic, Procurri was able to deliver record revenues in 2021 while also investing to upgrade business systems and operations for long-term growth. The Group's leadership and employees were able to remain healthy and secure during the year, with the business emerging stronger and better positioned for the multi-year growth in sustainable IT globally.

We have seen a notable change in demand across our customer and partner ecosystem towards an embrace of sustainable IT, providing Procurri with a unique opportunity act as a partner and change agent as well as a meaningful provider of sustainable IT solutions for our business ecosystem.

The global economy struggled in 2021 to balance diverging forces of stock market optimism, supply chain constraints, and lingering trade tensions. Yet at Procurri, we've seeing increasing alignment across our strategy, markets and customers behind sustainable IT. We're increasingly optimistic that we are building the right platform for the right market window to drive growth in stakeholder value across our business.

### Three frontiers of sustainability

Sustainability has been a core principle of Procurri since we founded the business in IT Hardware Resale. The concept of recycling IT equipment back into operations to reduce waste and increase ROI gave rise to our first $100 million of revenue in our early years.

Today, as we've broadened our product line and expanded globally, Procurri's vision for sustainable IT has also grown. Today, we're seeing a convergence along three frontiers that position Procurri favorably for growth:

- **The customer frontier.** Our large global channel and enterprise customer base is increasingly shifting towards sustainable business practices, including sustainable IT. Customer demand is clearly emerging behind a 'double bottom line' approach to growing IT sustainably: customers want to lower emissions but also need stronger return on IT investments.
- **The market frontier.** We're seeing shifts in the entire global market around sustainability. Leading institutional investors are setting new ESG goals and allocating new pools of capital to invest in sustainability. Regulators and policymakers are adopting stimulative and punitive policies to accelerate sustainability. Customers and suppliers are evolving business offerings and practices to respond to new sustainability needs.
- **The strategy frontier.** The convergence of customer demand and broader market shifts creates a compelling strategic opportunity for Procurri. Our solutions deliver the double bottom line benefits of sustainable IT while reducing costs and increasing ROI. Our global platform and powerful channel network give us broad access to the growing demand worldwide. What we offer is rare: few providers today are capable of offering the breadth of services that Procurri offers to enterprises to manage the 'cradle to grave' sustainable IT lifecycle, from purchasing equipment to operating it and recycling/upcycling it effectively at the end of life.

  The convergence of these frontiers presents a compelling window of opportunity for Procurri to shine in the next few years. We're seeing customers and channel partners increasingly consulting with us to create more sustainable solutions for IT operations, even as the global economy grows its dependence on IT for business continuity in a disrupted economy. Sustainability has given us fresh reason to reach out to customers to prompt new conversations around re-thinking their approach to IT and to connect with Procurri's sustainable IT offerings.

  The market, the customer demand and the strategic opportunity are there for us: we must continue to focus on executing effectively to capture the growing demand worldwide.

### We're working to unlock the future

We've been hard at work in 2021 building our platform to meet the sustainable IT opportunity. While continuing to grow Procurri's revenue this year, we're proud of what our employees have accomplished behind the scenes to strengthen and scale up our operations in a year where we set out to reinvest some profits into our future. Highlights of progress at Procurri this year include:

- **Re-organizing for growth.** We've kept our regional presence and relationships, but shifted our business organization towards three strategic capability pillars ("towers") in Maintenance, Lifecycle Services & ITAD and Hardware. By consolidating our capabilities globally, we're able to unlock economies of scale across our business by sharing knowledge and resources to advance our capabilities in each area.

- **Connecting the business with IT.** We've rolled out new IT systems to cover global financial reporting and intelligence, customer relationships, service operations, inventory and logistics. The new systems create powerful opportunities for our global teams to share resources, serve large-scale customers worldwide, and automate our operations.

- **Growing ITAD.** We've made rapid progress growing our newest capability tower in IT Asset Disposition. Our ITAD offering complete the breadth of our solutions offering, connecting Hardware (buying IT equipment sustainably) and TPM (operating IT equipment sustainably) to the important end-of-life process of recycling/upcycling and recovering value from IT equipment.

### Milestones in sustainability

Our progress building the business in 2021 is reflected in key milestones we achieved in sustainability for Procurri:

- **CRN Sustainability Awards.** We partnered to bring Carbon Neutral certified laptops to market, culminating in a 5,000 unit sale during 2021, saving 1.5M Kg in $CO_2$, a project recognized at the inaugural CRN Sustainability awards with our Peers voting Procurri as having '*Best sustainable project of the year 2021*'. Similarly we were highly commended under the category of '*Best Circular Economy Company 2021*'.

- **UN Global Goals.** Procurri was awarded the highest 5-star rating in the UN 'Support the Goals' initiative to drive awareness and commitment to the UN Global Goals, agreed in 2015 with 193 world leaders agreeing to 17 goals to tackle poverty, equality and climate change.

- **ISO accreditations.** We expanded our ISO accreditations during 2021 to include our German and USA (Boston) facilities during 2021, joining the UK and Singapore sites which are certified and operate according to the environmental management system standard ISO 14001 and quality management standard ISO 9001. Procurri Europe and Boston also added ISO 27001.

- **Certifying our carbon-neutral journey.** We're assessing and certifying our carbon footprint by reporting our Scope 1, 2 and 3 emissions to an independent assessor (Carbon Footprint) for certification, allowing us to grow our credentials as a strategic sustainable IT partner for our global channel partners and customers.

We're pleased that Procurri has made clear progress in growing its own sustainable business practices and track record. But, we're proud that our business offering connects with a global market shift towards sustainable IT, presenting us the opportunity to help enterprises and channel partners around the world towards sustainable IT growth.

We believe the remarkable convergence in our markets, customers and offerings will grow stakeholder value for Procurri, and remain entirely focused on advancing our business to meet the global opportunity head-on.

# Introduction

## Our Sustainability Highlights in 2021

### 5-star rating

UN Support
the Global Goals
Initiative

### Best Circular Economy Company

CRN Tech Impact
Awards 2021
(CRN Sustainability awards)

### Sustainable IT Project of the Year

CRN Tech Impact
Awards 2021
(CRN Sustainability awards)

### #144

Top 500
CRN Solution
Provider

### Procurri GmbH

Celebrates 2 year
anniversary and achieves
completion of ISO
certifications

### Procurri LLC in USA

Achieves ISO 9001, 14001,
27001, and Responsible
Recycling (R2) certifications with
ZERO non-conformities"

### Procurri concludes global rollout of Morse software platform

– resulting in EMEA, Americas and APAC all delivering Hardware and ITAD from
the same software system

## Our Business

Our mission is simple – as the world's largest independent distributor of post-warranty Third Party Maintenance, Lifecycle Services and OEM used Hardware, we strive to deliver premium products that don't cost the Earth to you. Our business model is built on the principles of a circular economy. Through our 3 global business pillars, we reclaim and refurbish ICT assets and reconfigure and redeploy them within the industry, maintaining and extending the natural life of IT hardware via our Maintenance offering. Procurri enables and provides comfort to our customers wishing to extend the product life of their IT infrastructure, enabling further reuse of assets once they are no longer required. We have been recognized by our Peers and the industry for being at the forefront of our business, and we will continue to push for progress in sustainability.

## Our Value Proposition

In an increasingly data-driven world, there is strong recognition that innovation, technology and digitalization will lie at the heart of economic development and environmental stewardship. Alongside this recognition sits a growing demand for ICT goods and services which the UN has predicted will be the fastest growing waste stream in the world reaching 75 million metric tonnes (MT) by 2030[1]. As people and businesses become more reliant on both software and hardware systems, our ability to access increasingly scarce virgin resources means that systemic change is needed in order to build a sustainable future.

At Procurri, we are built upon the circular economy and our purpose is to deliver premium products that don't cost the Earth. By closing the resource loop whenever possible, we extend the life-cycle of raw materials, and extract more value from each raw material. This allows us to reduce carbon emissions that occur up the resource supply chain, while making a positive contribution to the resource value chain.

Our business model creates economic opportunities and environmental benefits that increase business, social and environmental resilience.

Understanding our environmental and social impact allows Procurri to capitalize on the services it provides, and we consider responsible management of ESG issues to be foundational to our business. As we deliver on our mission through growth, we look forward to more opportunities to create value by advancing the circular economy.

## Our Sustainability Strategy

We share the vision of the UN Sustainable Development Goals (UN SDGs) and we pay particular attention to 3 goals we believe our business can make significant contributions to. Procurri understands that change is not about one organization or person trying to change everything, but about all of us changing a little, improving on what we do today for the benefit of tomorrow. Our strategy maps to 3 core SDG goals and revolves around prioritizing reuse over recycle, reducing our electricity consumption and transitioning to renewable sources of energy.

| | Strategic Direction | Goal |
|---|---|---|
| 7 AFFORDABLE AND CLEAN ENERGY | We share the vision of increasing renewable energy use in our operations as part of responsible ESG management. | By 2025 to reduce energy consumed as a percentage of revenues by 1% YoY, and to increase our renewable sourced electricity by 5%. |
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | We continue to be a pioneer in the refurbished hardware, Lifecycle services and Third Party Maintenance space, providing innovative solutions for our customer base. | By 2025 saving 2,000,000 KGs of $CO_2$ through offering alternative solutions and switching customer buying habits to low or Carbon Neutral devices. |
| 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | By promoting reuse over recycle, we close resource and product loops by enabling people and businesses to restore, refurbish, and redeploy ICT products. | By 2025 divert 10,000,000 Kgs of technology waste from landfill. |

[1] See https://www.itu.int/en/ITU-D/Environment/Documents/Toolbox/GEM_2020_def.pdf

# CRN Sustainable IT Project of the Year

One of Procurri's more recent projects has been awarded a Sustainable CRN Tech Impact Award – and given its impressive results, there's no surprise it dazzled industry judges. This is just one of Procurri's many and varied competitive deliverables.

## Third Party

The client involved is a household name in the UK; a multinational infrastructure group that offers construction services, support services and infrastructure investments. A public limited company, this firm has operated for over 100 years and by many measures is the largest construction contractor in Great Britain. With a net income of over £30,000,000 per annum and over 26,000 employees across the globe, this client was open to some serious streamlining and sustainability efficiencies.

## Approaching Procurri

The nature of the client's projects mean that its staff are highly mobile; necessitating the reclamation of assets from the field upon completion of one project to be redeployed to the next. This was proving both expensive and complex to manage, resulting in much of the mobile asset base left unclaimed upon completion of the job; in turn necessitating the acquisition of replacement laptops.

The client searched out a specialist inventory management provider to assist, requiring greater value than their historical supply chain, wishing not only a refresh of 5,000 of their laptop estate but also a deployment and management solution. Procurri were approached to share their expertise.

## Procurri Delivered

Working with the channel partner and the end client to find the most suitable solution, a remanufactured laptop was suggested, presenting as new with a three-year warranty and certified Carbon Neutral status, saving 316 Kg of $CO_2$ per device, a total of 1,580,000 Kg across the 5,000 estate. With significant cost savings in excess of £2,000,000 against a new equivalent, the Circular Computing branded laptops were an appealing alternative.

Alongside the laptops, an inventory management solution to deliver and asset track all units adding asset tags and serial numbers and noting eventual ownership was designed. This included a 'swap' program, collecting legacy assets, replacing with new for remote workers, ensuring the secure return of the legacy estate and full certified erasure ahead of clean, test and return of the asset to the client's stock for future reuse.

Procurri actively search out and create more sustainable solutions within the IT sector through our three core offerings, reused Hardware, IT Asset Disposals and Third Party Maintenance; providing a commercial benefit to organizations whilst simultaneously helping reduce their carbon footprint.

This project alone, so far has meant over 28,500 trees have been planted, 1 billion liters of water have been saved, 1.8 million kgs of $CO_2$ emissions has been avoided and over 6.8 million kilograms of earth has not been mined.

Our work has been recognized by one judge as "a lovely example of the circular economy in action". The initiative was also hailed as the "embodiment of how technology can bring environmental benefits while simultaneously helping customers save money". This project can shine a spotlight on how the channel can reshape the world for the better. There's no need to compromise on value or money for sustainability – and here at Procurri, we can deliver all!



Natasha Maguire, Global Marketing Director and Mat Jordan, Global Head of Lifecycle Services, Hardware & Distribution

# Managing Sustainability

## Governance

Procurri recognizes that good and responsible governance anchors and drives our sustainability strategies and efforts, creating long-term values for our stakeholders.

Our Board provides strategic direction and guidance on our sustainability strategies. They have oversight on setting key objectives, targets and are responsible for ensuring that Procurri's internal controls and reporting procedures are adequate. This includes approval of our Environmental Quality Management System (QEMS) Framework which provides guidance on the identification and management of environmental risks and opportunities in our business operations. The QEMS is implemented across our European operations and will be rolled out in phases across our other operations.

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


## Stakeholders and Material Issues

In 2017, we conducted a two-phase materiality assessment to identify issues that matter to our business and our stakeholders. Using SASB Hardware, Software and IT standards and GRI as guidance, we engaged with our investors and partners along the supply chain and conducted literature reviews to identify the issues relevant to our sector, our business and our stakeholders. We supplemented this approach with an internal engagement with our staff and Board. Through this process, issues were refined and prioritized and those deemed not applicable were removed. For example, the production life-cycle of ICT hardware – including sourcing of raw materials, are significant sources of environmental impacts. Procurri sources only from recovered end-of-life ICT assets. This model reduces the need for additional equipment manufacturing and reduces the requirement for virgin raw materials. As such, the environmental footprint for hardware is not relevant for Procurri, indeed Procurri engaged with an independent carbon tracking company in January 2021 to further understand and measure our carbon footprint.

As Procurri conducts our business all around the world, we strive to conduct business responsibly and ethically. In this year's report we have linked our sustainability efforts to several United Nations' Sustainable Development Goals ("**UN SDGs**"). The UN SDGs are a global call for action to create "a better and more sustainable future for all"[1]. We believe every business has an important role to play in championing sustainability. As part of the continuous efforts to progress sustainability at Procurri, we are looking to conduct a review of our materiality assessment in FY2022 as well as integrate the GRI framework into our report alongside the SASB framework.

[1] https://www.un.org/sustainabledevelopment/sustainable-develpment-goals/

# Targets

Figure 1 highlights the material ESG issues identified for Procurri.

**FIGURE 1: Material ESG Issues for Procurri Operations**

## Environment

| | |
|---|---|
| **Material to Procurri** | Electricity consumption; Waste avoided; Renewable energy sourcing; GHG emissions; Waste management; Waste generation |
| **Material to Sector but not to Procurri** | Hardware environmental footprint; Fuel use onsite; Wastewater management |

## Social

| | |
|---|---|
| **Material to Procurri** | Equal employment; Employee training & development; Employee diversity; Customer data collection/ privacy; Onsite & offsite fatalities; Data security breaches; Onsite & offsite injuries |
| **Material to Sector but not to Procurri** | Government data requests |

## Governance

| | |
|---|---|
| **Material to Procurri** | Safety management; Business ethics; Data management |
| **Material to Sector but not to Procurri** | N/A |

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

Procurri is committed to create impactful long-term value for our employees, shareholders and partners. We have taken note of their main topics of concerns and frequently engaged them in different frequencies and on different platforms to ensure we address properly their concerns and interests.

**TABLE 1: Stakeholder Engagement**

| Stakeholder Group | Topic | Platform for engagement | Frequency of engagement |
|---|---|---|---|
| Employees | • Corporate Direction & Strategy<br>• Fair Remuneration<br>• Opportunity for Career Development<br>• Staff Valued<br>• Labour and Human Rights<br>• Safe Working Environment | Induction program for new employees and monthly newsletters | Monthly |
| | | Procurri Intranet providing training manuals and access to forms and literature | |
| | | Training and Development opportunities | |
| | | Refreshment trainings provided | |
| | | Staff social activities (gatherings, parties, etc.) organized | Annually/ Twice Yearly |
| | | Annual Appraisals | Annually |
| | | Fully managed Health & Safety guide available to all staff | |
| Shareholders | • SGX Compliance<br>• Returns On Investment | Annual General Meetings | Annually |
| | | Annual Sustainability Reports | Annually |
| | | Investor relations section on corporate website | Monthly |
| | | Annual and half yearly results announced and reported | Half yearly |
| | | Face to Face meetings | Quarterly |
| Partners | • Delivery of innovative solutions<br>• Compliance with the RBA (Responsible Business Alliance) code of conduct<br>• Compliance with legislation including GDPR and Environmental and Social governance<br>• Quality & Safety of product | Regular engagement, both phone and face to face | Monthly |
| | | Promote RBA on our website and as part of our new suppliers account application setup | |
| | | GDPR compliant – ISO 9001, 14001 within most entities | |
| | | Managed Website and Linked in profiles | Monthly |

Table 2 displays how and where these themes are reported within this report.

### TABLE 2: ESG Metrics and Relevance to Company Report

| Topic | Accounting Metric | SDGs | Status |
|---|---|---|---|
| Environmental Footprint of Site | Total energy consumption, percentage of grid electricity and renewable energy | 7 AFFORDABLE AND CLEAN ENERGY | Included, Table 4, page 35 |
| | Water withdrawn, percentage recycled, percentage from regions with High or Extremely High Baseline Water Stress | 6 CLEAN WATER AND SANITATION | Partially included, Table 4 & Figure 4, page 35 and 36 respectively. Water scarcity and recycling not relevant for Procurri operations due to small volumes and limited stress regions |
| | Waste generated by type and management processes | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | Included, Table 4, page 35 |
| | GHG emissions, by scope | 13 CLIMATE ACTION | Included, Table 4 & Figure 3, page 35 and 36 respectively |
| Lifecycle Management of Equipment | Weight of products and e-waste recovered through take-back programs, percentage of recovered materials that are recycled | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | Included, page 35 |
| Data Privacy and Data Security | Discussion of policies and practices related to collection, usage and retention | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | Included, page 33 |
| | Amount of legal fines and settlements paid associated with customer privacy | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | Included, Table 3, page 33 |
| | Number of data security breaches and percentage involving customers' personally identifiable information | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | Included, Table 3, page 33 |
| | Discussion of firm's approach to identifying and handling data security and related risks | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | Included, page 33 |
| Recruiting and Managing a Global, Diversified Workforce | Percentage of employees that are foreign nationals and those that are located in another country | 10 REDUCED INEQUALITIES | Not applicable; Procurri operates across the globe and has national and international representation |
| | Employee training | 4 QUALITY EDUCATION | Included, Tables 6 and 7, page 38, 39 |
| | Percentage of gender and racial/ethnic group representation for executive roles and other employees | 10 REDUCED INEQUALITIES | Partially included, Table 5, page 37; Procurri to include racial/ethnic group representation figures in FY2022 |

# Responsible Governance

We believe that practicing good governance is central to our business and we proactively review and promote ethical business conduct and transparency. Our Corporate Social Responsibility framework was established in 2021 and it sets out our commitment and responsibility towards our environment and the communities we operate in. We are committed to conducting our business in a manner that is both sensitive and responsible with proper regard for our legal obligations, directives and codes of practice.

## Data & Security

Procurri is bound by privacy regulations around the world. To ensure Group-wide compliance, the Data Protection Policy was formalized during the financial year 2018. Procurri does not collect personal client data as part of its business operations or for use in its business operations. Procurri is exposed to client data as part of its IT Asset Disposition ("**ITAD**") offering, when clients entrust their end-of-life IT equipment to Procurri for testing and verification, data erasure and/or disposal. Procurri handles this electronic equipment with the utmost security and ensures data security is maintained at all times. Telephone numbers, customer identification numbers, address details and other personal information is destroyed as part of the ITAD process and not stored for ongoing use. Each region operates in adherence to local requirements and best practices, though key processes are the same. Asset testing and verification premises are in a caged and secure location and only accessible by authorized personnel. All storage equipment that is erased has certificates generated citing the type of erasure standard requested. For data erasure, the Procurri Group utilizes Blancco software; an internationally recognized and accredited disk erasure software. The UK is both ISO 27001 and ADISA accredited. Procurri Europe was awarded ISO 27001 and the UK's Warrington ITAD facility was certified to ADISA standard in 2019, The Cirencester facility has been ADISA certified since 2012. Our USA Boston facility was certified ISO 9001, 14001 and R2 during 2021. Singapore is 27001 certified ISO 9001 and 14001.

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

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

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

## Anti-Bribery & Corruption Policy

Procurri is committed to acting lawfully, ethically and with integrity in every aspect of its business. Our Anti-Bribery and Corruption policy was reviewed in 2021 and sets standards of behavior that all employees, including contract and temporary employees, must adhere to in their dealings on behalf of Procurri. Procurri operates a zero-tolerance policy towards bribery and corruption in any situation or form. This is fundamental to fostering investor and stakeholder confidence, and aligns with the principles of sustainability on which we operate.

**TABLE 3: Data & Security**

| Item | 2019 | 2020 | 2021 |
|---|---|---|---|
| Number of confirmed or suspected data security breaches that occurred in the past financial year? | Nil | Nil | 1 |
| Number of breaches that concerned the potential for personal identification material being compromised? | Nil | Nil | Nil |
| Number of breaches that led to the company incurring fines or other penalties and what was the value of these penalties? | Nil | Nil | Nil |

# Environmental Impacts

**Highlights 2021**

Procurri has actively sought out Carbon neutral IT offerings to provide alternatives to new for our clients, and signed as a distributor for Circular Computing in 2020. 2021 saw Procurri close a 5,000 Carbon Neutral laptop sale to our channel partner for Balfour Beatty – each laptop saving 316 Kg of $CO^2$ led to Balfour Beatty being able to report 1.58 Million Kg of $CO^2$ savings in 2021. Procurri has also partnered with a tape erasure provider, enabling tape media to be erased and importantly, a record of the erasure provided; in turn media can then be remarketed rather than shredded or worse still, burnt.

Procurri partnered with 'Carbon footprint' during 2021, reporting our scope 1, 2 and 3 emissions – enabling them to be independently reviewed and assessed. After all if we are unable to measure Carbon, we will potentially struggle to be on a path to reduce it. Our ambition is of course Carbon neutral.

## Reuse & Recycling of IT Equipment

Procurri's IT Distribution and Lifecycle Services serve to optimize the performance and lifespan of ICT assets, thereby empowering partners and clients to retain and sweat their ICT estate for longer, comfortable that in the event of a failure, Procurri can repair or place the infringing part. It is widely reported that 70% of the carbon produced from IT assets is at the point of manufacture, thus extending ICT asset lifespan becomes a material consideration. ICT assets are subject to stringent quality tests to ensure they are safe and functioning before emerging as Reuse Electrical and Electronic Equipment (REEE). While we strive to optimize performance and lifespan of ICT assets, there are times when ICT assets do not pass our quality tests as they are faulty beyond economic repair. Such ICT assets are segregated into different waste streams and sent via dedicated vehicles to authorized recycling companies for further treatment.

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

## Carbon Footprint

### 2021 Highlights

Procurri considers environmental responsibility to be crucial to the successful operation of our business. We operate our EMEA, UK and Singapore sites according to the environmental management system standard ISO 14001, and quality management standard ISO 9001 which are reviewed and renewed annually. In 2021, we expanded our ISO accreditation to include our USA (Boston) and German facilities, bringing all our global facilities within the ISO 14001 and ISO 9001 umbrella. In addition, Procurri Europe and Boston both added ISO 27001 and we are on track to achieve these standards across all US operations by 2025.

Procurri's operational environmental footprint was analyzed based on onsite energy use, water use, vehicle fuel and business travel. As we are looking to implement various environmental initiatives that can contribute to resource use efficiency and consumption reduction, we are assessing and certifying our carbon footprint by reporting our Scope 1, 2 and 3 Greenhouse Gas ("GHG") emissions to an independent assessor (Carbon Footprint) for certification. We began this process in 2021 and currently await independent verification of our results.

For the purposes of this report, Greenhouse Gas ("**GHG**") emissions are reported in line with the Greenhouse Gas Protocol, an international corporate accounting and reporting framework developed by the World Resources Institute and the World Business Council for Sustainable Development. The Greenhouse Gas Protocol differentiates between direct and indirect emissions using a classification system across 3 different scopes: Procurri will be reviewing our scope 3 emissions over the coming year to understand how we may be able to positively impact these further.

**SCOPE 1**

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

**SCOPE 2**

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

**SCOPE 3**

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

### TABLE 4: Group Environmental Impacts

| Item | Units | 2019 | 2020 | 2021[1 2] |
|---|---|---|---|---|
| **Energy Use** | | | | |
| Purchased electricity | kWh | 2,399,418 | 2,333,861 | 1,965,197 |
| Natural gas consumption | kWh | 700,598 | 258,269 | 946,486 |
| **Business Travel** | | | | |
| Air – international | km | 1,548,834 | 165,032 | 42,741 |
| Air – domestic | km | 193,121 | 115,068 | 604,445 |
| Private vehicle | km | 215,804 | 87,354 | 193,085 |
| Company vehicle | km | 183,970 | 116,364 | 280,198 |
| Rail | km | 26,813 | 2,992 | 1,985 |
| **Greenhouse Gases** | | | | |
| Scope 1 | $tCO_2e$ | 129 | 136 | 306 |
| Scope 2 (location-based)[3 4] | $tCO_2e$ | 742 | 641 | 594 |
| Scope 2 (market-based) | $tCO_2e$ | 359 | – | – |
| Scope 3 [5] | $tCO_2e$ | 284 | 79 | 118 |
| **Water Withdrawal** | | | | |
| Operational | $m^3$ | 2,580 | 2,488 | 2,120 |
| **Waste Arisings** | | | | |
| Waste sent to landfill or incinerator | kg | 124,263 | 90,533 | 7,634 |
| Waste recycled | kg | 273,794 | 448,586 | 294,855 |
| Hazardous waste | kg | 1,012 | 924 | 3,310 |

[1] The decreases in energy use, business travel, Greenhouse Gas emissions, water withdrawal and waste were due to reduced operations and activities due to the COVID-19 pandemic.

[2] 2020's scope of reporting was expanded to include the Germany site.

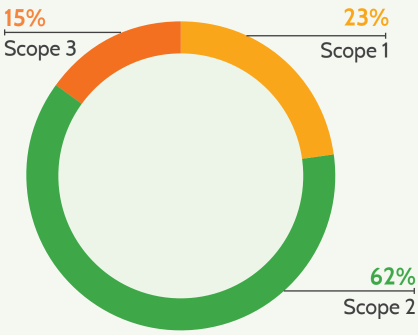
[3] Scope 2 Greenhouse Gas emissions data for 2018 and 2019 were revised due to a revision of historical grid emission factors in Singapore.

[4] Procurri Europe (EMEA) uses United Kingdom's Greenhouse Gas reporting emission factors; Procurri Germany site uses German government's emission factors for Beiersdorf. 2020 figures for both sites are categorized as location-based emissions.

[5] Procurri Europe's (EMEA), Germany, LLC, and Singapore calculated Scope 3 emissions from all transportation activities using the Greenhouse Gas Protocol Calculation Tool for GHG Emissions from Transport or Mobile Sources

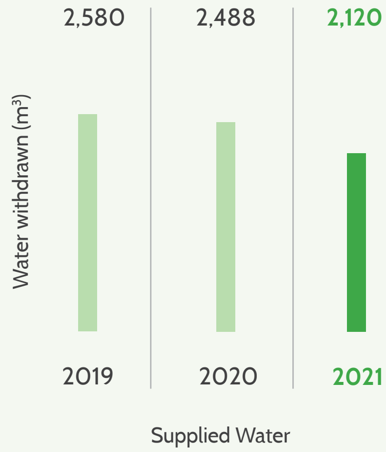
FIGURE 2: Waste Hierarchy at Procurri


FIGURE 3: GHG Emissions by Scope




The majority (75%) of the captured GHG emissions were associated with purchased electricity across the sites. Currently, our Scope 3 emissions includes only business travel.

FIGURE 4: Water Withdrawal by Source




Procurri use only supplied water across all its sites globally, and the majority of use is associated with domestic requirements, such as toilets and hand basins. Partly due to reduced operations and activities, we've continued to prudently manage our water usage across our operations and water withdrawal volume saw further reductions from 2,488 cubic meters in 2020 to 2,120 cubic meters in 2021.

# Social Impacts

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

## Employee Diversity & Inclusion

Procurri believes diversity and inclusion:

- Are imperative to our business
- Drive our business results
- Help attract, recruit, engage, and retain a diversified team of business talent
- Recognising that all individuals are unique in nationality, religion, race, culture, gender, education, experience belief, and ideas
- Enable ourselves to leverage and value employees' differences, believing this virtue will lead to greater innovation and creativity crucial to business results

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

**TABLE 5: Group Diversity and Employee Representation**

| | 2018 | | 2019 | | 2020 | | 2021 | |
|---|---|---|---|---|---|---|---|---|
| Item | Number of Employees | Percentage | Number of Employees | Percentage | Number of Employees | Percentage | Number of Employees | Percentage |
| Gender of Employees[6] | | | | | | | | |
| Male | 294 | 73% | 310 | 74% | 310 | 76% | 318 | 73.61% |
| Female | 107 | 27% | 104 | 26% | 99 | 24% | 114 | 26.39% |
| Age Diversity | | | | | | | | |
| Under 30 | 114 | 28% | 125 | 28% | 98 | 24% | 94 | 21.76% |
| 30 – 50 | 216 | 54% | 218 | 54% | 231 | 56% | 247 | 57.18% |
| Over 50 | 71 | 18% | 71 | 18% | 83 | 20% | 91 | 21.06% |

[6] 1 employee did not specify their gender.

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

### TABLE 6: Employee Development

| | 2018 | | 2019 | | 2020 | | 2021 | |
|---|---|---|---|---|---|---|---|---|
| Item | Number of Employees | Percentage | Number of Employees | Percentage | Number of Employees | Percentage | Number of Employees | Percentage |
| **Employee Development** | | | | | | | | |
| Percentage of employees receiving regular performance and career development reviews | 349 | 80.97% | 325 | 65.52% | 375 | 78.13% | 432 | 100% |
| Employee groups not receiving reviews | 82 | 19.03% | 171 | 34.48% | 105 | 21.87% | 0 | 0 |

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

### TABLE 7: Employee Training[7]

| Employee Development | 2018 | 2019 | 2020[7] | 2021 |
|---|---|---|---|---|
| Hours of training given | 1,661 | 2,266 | 1,158.5 | 2,263 |
| Hours of training received per employee | 10.2 | 5.47 | 2.81 | 5.24 |

[7] The decrease in hours of training given was due to reduced operations and activities due to the COVID-19 pandemic.

All sites have collected data on number of training per employee in 2021 whereas only the UK (EMEA) data was reported 2017 and 2018. However, employee training hours were reduced due to the COVID-19 pandemic restrictions and reduced operations.

# Health & Safety

Procurri prioritizes the health and safety of its employees. All five headquarters are governed by workplace health and safety policies, including publishing Health and Safety Policy Statements signed by a director, plus inclusion of health and safety monitoring within internal audits. The Singapore headquarters is certified with bizSAFE Level 3; the Boston site complies with OHSAS 18001 and reports and injury and illness incidents to the United States Department of Labor's OSHA's Form 301; both EMEA and Germany headquarters operate under the guidance of ISO 45001 but they have not sought certification. Both sites conduct regular internal audits and the results are discussed during operation meetings which has health and safety as a permanent agenda subject. Both sites also record and discuss near misses and incidents during the meeting.

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

**TABLE 8: Group Health and Safety**

| | 2018 | | 2019 | | 2020 | | 2021 | |
|---|---|---|---|---|---|---|---|---|
| Item | Number of Employees | Per 100 Staff | Number of Employees | Per 100 Staff | Number of Employees | Per 100 Staff | Number of Employees | Per 100 Staff |
| Recorded injuries | 4 | 1 | 5 | 1.2 | 0 | 0 | 2 | 0.46 |
| Exposure to hazardous substances | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Recorded injuries off company premises | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Exposure to hazardous substances off company premises | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

# Social Engagement

As the world transitioned into uneven recovery out of the Covid-19 pandemic in 2021, we took a calibrated approach across our global offices to continue our participation in local community initiatives. As governments around the world adopted differentiated measures in managing their recovery, we followed suit and made sure that each of our global offices took the necessary precautions in compliance with local regulations, and in adherence to our business continuity and management plan. Where there was uncertainty, we erred on the side of caution to minimize risks to our employees as well as the wider communities.

Similar to 2020, 2021's social engagements were restricted due to the pandemic, with the focus primarily keeping our staff safe and conforming to local government guidance. Our global business continuity plans continued to perform well, being implemented and relaxed throughout 2021 depending on the local environment and advice at the time. Similarly it was important to ensure when staff were able to return to the business they felt safe and supported when doing so, implementing Covid testing on premise for example, to help provide comfort to all employees. As an observation, when staff did return to the workplace it was interesting to see how people's natural ability to engage in face to face conversation had regressed, emphasizing that as with all skills practice is important to be at the top of your game.

The business continued to keep regular management calls to ensure that all were informed with the management team cascading information to their respective teams.

Similarly, the integration of the business into one global business allowed the expansion of the monthly newsletter to reflect all our global regions with all entities encouraged to contribute, something that has been well received by the entire team as a monthly read.

It has also proved to be a useful tool to disseminate information to all the staff, helping keep everyone feeling part of the company.

As staff returned to the workplace, some of the more social activities were able to resume, with team events and meetings on a reduced numbers scale.

Procurri USA organized a special afternoon for the Kids of Procurri in October.

Procurri USA organized a special afternoon for the Kids of Procurri in October.

Business as usual as the team returned to the Gym once again in the UK

Atlanta Buckhead re-opening party

Atlanta team tucking into a well deserved staff lunch

Procurri donated 153 sets of pajamas to foster care children via Jambos.

# About This Report

Procurri recognizes the importance of identifying issues that are significant to the financial operation of the business, as well as stakeholders, such as investors, society and customers. This report focuses on the regional head offices of Procurri. These offices are: Procurri Global Headquarter in Singapore – Asia Pacific region (APAC); Procurri LLC (Procurri's United States subsidiary in Atlanta); and Procurri Europe (the United Kingdom) – EMEA. Data from Boston, Massachusetts-based Rockland Congruity LLC, renamed to PTSS during 2020 acquired by Procurri LLC in 2019, is fully included in our FY2021 sustainability reporting scope. We have also included Germany (Procurri GmbH) and Canada (Procurri Canada) in our FY2021 report as these new facilities have begun operating during 2020. These sites represent our key locations and cover 90% of the total employees of Procurri's global operations. The remaining 10% of employees are widely spread across numerous geographical bases.

# Appendix

### Calculating Greenhouse Gas Emissions

Different GHGs have different Global Warming Potentials ("**GWP**")[8] or abilities to contribute to rising temperatures. Data is standardized by converting the different greenhouse gases into their carbon dioxide equivalent according to the GWP index published by the Intergovernmental Panel on Climate Change ("**IPCC**")[9]. The index identifies the radiative effects of different GHGs in the atmosphere relative to an equal mass of $CO_2$ over a 100-year timeframe. GWP enables all the GHGs to be expressed in terms of $CO_2$ equivalents, or $CO_2e$. Quantities of GHG emissions are derived from data on operational and vehicle fuel consumption, electricity use and business travel. Emission factors are from Singapore's Energy Market Authority, United States Environment Protection Agency and United Kingdom Department for Business, Energy & Industrial Strategy and Procurri's electricity suppliers in the UK.

[8] Global Warming Potential (GWP) is the ratio of the warming of the atmosphere caused by one substance to that caused by a similar mass of carbon dioxide, which is assigned a reference value of 1.

[9] The Intergovernmental Panel on Climate Change (IPCC) is a scientific intergovernmental body set up by the World Meteorological Organization (WMO) and by the United Nations Environment Program (UNEP) with a mandate to provide an objective source of information about climate change.

# Our Offices

## APAC

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

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

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

**BANGALORE**
386, 1st Floor, 4th D Main 12th Cross
West of Chord Road, Mahalaskshmipuram
Bangalore 660086
T: +91 80 6743 1157
enquiry.in@procurri.com

**NEW DELHI**
Procurri India Pvt. Ltd. Plot No C-91,
Sector-63 Noida, Gautam Budh Nagar
Uttar Pradesh – 201301
enquiry.in@procurri.com

**HONG KONG**
17/F Room 1718
700 Nathan Road Mongkok, Kowloon
Hong Kong
T: +1 443 844 6693
enquiry.sg@procurri.com

**AUSTRALIA**
91 Phillip Street, level 3
Parramatta, NSW 2150, Australia
enquiry.sg@procurri.com

**JAPAN**
Mitsui Logistics Park Hino 3F
3-1-1 Asahigaoka, Hino City, Tokyo
Japan
T: +65 6486 1336

## AMERICAS

**ATLANTA**
**Americas Headquarters**
945 East Paces Ferry Rd NE 14th Floor,
Suite 1400 Atlanta, GA 30326
T: +1 770 817 9092
enquiry.us@procurri.com

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

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

**BOSTON**
56 Pembroke Woods Drive Pembroke,
Massachusetts 02359, US
T: +1 781 829 0140
insidesales@procurri.com

**CHARLOTTE**
215 Queens Rd
Suite 200 Charlotte
NC 28204
T: +1 770 817 9079
enquiry.us@procurri.com

**LAGUNA BEACH**
933 South Coast Highway
Laguna Beach, CA 92651
T: +1 612-991-1111
itad@procurri.com

**RALEIGH**
1776 Heritage Center Drive Suite 204-G
Wake Forest, NC 27587
T: +1 919 354 7098
enquiry.us@procurri.com

**MONTERREY**
Av. Revolución #2703-2
Col. Ladrillera, Monterrey
Nuevo León, 64830 México
T: +52 81 8851 8227
enquiry.mx@procurri.com

**CANADA**
3710 Nashua Drive, Units 7-8A
Mississauga,
L4V 1M5
T: +1 416 525 6677

## EMEA

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

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

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

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

**BAIERSDORF**
Procurri GmbH
Erlanger Strasse 9
Baiersdorf, Deutschland 91083
T: +49 151 501 730 32

# 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.

The Group adopts practices based on the Code of Corporate Governance 2018 (the "**Code**") issued on 6 August 2018. This report shall reference the principles and provisions laid down in the Code and accompanying Practice Guidance issued on 6 August 2018 and updated as of 7 February 2020, which forms part of the continuing obligations of the Mainboard Listing Rules of Singapore Exchange Securities Trading Limited (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: The company is headed by an effective Board which is collectively responsible and works with management for the long-term success of the company.**

1.1 The Board's principal functions are to:

(a) decide on matters in relation to the Group's activities which are of a significant nature, including the approval of major investments and divestments;

(b) oversee the business and affairs of the Company, establish, with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;

(c) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(d) oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes;

(e) assume responsibility for corporate governance;

(f) set the Company's values and standards (including ethical standards); and

(g) consider sustainability issues as part of its strategic formulation.

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

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, the Remuneration Committee and the Strategy Committee (collectively, the "**Board Committees**"). The role and function of each Board Committee is described in subsequent sections in this report. While these Board Committees are delegated with certain responsibilities, the ultimate responsibility and decision lies with the Board. Please refer to the various Principles in this report for further information on the activities of the respective Board Committees. *‹Provision 1.4›*

# Governance Report

1.4 The Board conducts regularly scheduled meetings on a quarterly basis. Ad-hoc meetings are convened as and when circumstances require. The Constitution of the Company (the "**Constitution**") permits directors to attend meetings by telephony or video conference. *‹Provision 1.5›*

In addition, the directors are in contact with one another outside the Board and hold informal discussions amongst themselves.

The number of Board and Board Committee meetings, and the record of attendance of each director for FY2021 are set out below:

| Name | Board | | Remuneration Committee ("RC") | | Nominating Committee (NC") | | Audit Committee (AC") | | Strategy Committee ("SC") | | Annual General Meeting ("AGM") | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of meetings | | No. of meetings | | No. of meetings | | No. of meetings | | No. of meetings | | No. of meetings | |
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Mr Thomas Sean Murphy | 5 | 5 | 3 | 2* | 2 | 2* | 4 | 3* | 1 | 1 | 1 | 1 |
| Mr Edward John Flachbarth[1] | 5 | 2 | 3 | 1* | 2 | 1* | 4 | 1* | – | – | 1 | 1 |
| Mr Ng Loh Ken Peter | 5 | 5 | 3 | 2 | 2 | 2 | 4 | 4 | – | – | 1 | 1 |
| Mr Wong Quee Quee, Jeffrey | 5 | 5 | 3 | 3 | 2 | 2 | 4 | 4 | – | – | 1 | 1 |
| Mr Loke Wai San | 5 | 5 | 3 | 3 | 2 | 2 | 4 | 4 | 1 | 1 | 1 | 1 |
| Dr Lim Puay Koon | 5 | 5 | 3 | 3 | 2 | 2 | 4 | 4 | 1 | 1 | 1 | 1 |
| Mr Lim Swee Yong[2] | 5 | 1 | – | – | – | – | 4 | 1 | – | – | – | – |
| Mr Toh Hsiang – Wen Keith[3] | 5 | 3 | 3 | 3 | 2 | – | 4 | 2 | 1 | 1 | 1 | – |

**Notes:**

The number of meetings held as shown above refer to the number of meetings held during the financial year applicable to the respective directors.

* Attended as invitees.

1 Mr Edward John Flachbarth resigned as director on 1 July 2021.

2 Mr Lim Swee Yong was appointed as director on 9 November 2021.

3 Mr Toh Hsiang-Wen Keith was appointed as alternate director to Mr Loke Wai San on 1 June 2021.

1.5 The Board is provided with adequate information prior to Board meetings and on an on-going basis. The Company circulates copies of the minutes of the meetings of all Board Committees and the Board to all members of the Board to keep them informed of on-going developments within the Group. The Board also has separate and independent access to management. *‹Provision 1.6›*

1.6 Information provided to the Board include financial management reports, reports on performance of the Group against the budget, papers pertaining to matters requiring the Board's decision, and updates on key outstanding issues, strategic plans and developments in the Group. *‹Provision 1.6›*

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

# Governance Report

1.8 The appointment and removal of the company secretary is subject to approval of the Board. *‹Provision 1.7›*

1.9 Where decisions to be taken require expert opinion or specialised knowledge, the directors, whether as a group or individually, may seek independent professional advice as and when necessary or otherwise required in furtherance of their duties at the Company's expense. *‹Provision 1.7›*

1.10 The Board has adopted a set of guidelines on matters that require its approval. Matters which are specifically reserved for the Board's approval include those involving business plans and budgets, material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, dividends and other returns to shareholders. *‹Provision 1.3›*

1.11 An induction program is conducted for all new directors appointed to the Board which aims to familiarise the directors with the Group's businesses, board processes, internal controls and governance practices. The Company also provides the opportunity for the directors to attend seminars and trainings to enable them to keep pace with regulatory changes, particularly where changes to regulations and accounting standards have a material bearing on the Company and to enable them to discharge their duties. The Company is responsible for arranging and funding the training of directors as prescribed by Listing Rule 210(5)(a) of the Mainboard Listing Rules (including a director who has no prior experience as a director of an issuer listed on the SGX-ST). *‹Provision 1.2›*

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

**BOARD COMPOSITION AND GUIDANCE**

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

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

2.2 The Board is able to exercise objective judgment independently from management and no individual or small group of individuals dominate the decisions of the Board. Each independent director is required to complete a confirmation form annually to confirm his independence. *‹Provision 2.1›*

2.3 The Board currently comprises: *‹Provision 2.3›*

| | |
|---|---|
| Mr Thomas Sean Murphy | (Executive Chairman and Global CEO) |
| Mr Ng Loh Ken Peter | (Lead Independent Director) |
| Mr Wong Quee Quee, Jeffrey | (Independent Director) |
| Dr Lim Puay Koon | (Independent Director) |
| Mr Loke Wai San | (Non-Independent, Non-Executive Director) |
| Mr Lim Swee Yong | (Non-Independent, Non-Executive Director) |
| Mr Toh Hsiang-Wen Keith | Alternate Director to Mr Loke Wai San |

# Governance Report

After taking into account the views of the NC and the circumstances described in Rule 210(5)(d) of the Mainboard Listing Rules, the Board is satisfied that each independent director is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, the director's judgement. ‹*Provision 2.1*›

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

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

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

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

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

2.8 The non-executive and/or independent directors, led by the lead independent director, have meetings amongst themselves without the presence of the management. As appropriate, the feedback and views expressed by the non-executive and/or independent directors is communicated by the lead independent director to the Chairman after the meetings. ‹*Provision 2.5*›

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")**

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

3.1 The Chairman and CEO roles in the Company are assumed by Mr Thomas Sean Murphy. The Board is of the view that the accountability and independence of the Board as a whole has not been compromised despite the Chairman and CEO being the same person, taking into consideration that a majority of the Board is comprised of non-executive directors who have demonstrated their commitment in their roles and there is a balance of power and authority within the Board as the Audit, Nominating and Remuneration Committees are chaired by independent directors. Mr. Thomas Sean Murphy is cognisant that the Board functions as a collective body (subject to delegation of relevant matters to the appropriate Board committees and/or individuals) and performs his duties as the Chairman bearing this in mind. All important and major decisions relating to the operations and management of the Group are made jointly and collectively by the Board. The Chairman and CEO have defined responsibilities which, during his tenure so far, have not conflicted with each other. The Board believes there is sufficient element of independence and adequate safeguards against a concentration of power in one single person. ‹*Provision 3.1*›

# Governance Report

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

3.3 The Chairman is responsible to, among others: ‹*Provision 3.2*›

(a) lead the Board to ensure its effectiveness on all aspects of its role;

(b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promote a culture of openness and debate within the Board;

(d) ensure that the directors receive complete, adequate and timely information;

(e) ensure effective communication with shareholders;

(f) encourage constructive relations within the Board and between the Board and management;

(g) facilitate the effective contribution of non-executive directors in particular; and

(h) promote high standards of corporate governance.

3.4 The Board has appointed Mr Ng Loh Ken Peter as the lead independent director. The lead independent director is available to shareholders where they have concerns for which contact through the normal channels of the Chairman, the CEO or the chief financial officer (the "**CFO**") has failed to resolve such concerns or for which such contact is not appropriate. ‹*Provision 3.3*›

**BOARD MEMBERSHIP**

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

4.1 The NC comprises:

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

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

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

(a) reviewing and recommending the nomination or re-nomination of the directors, having regard to the director's contribution and performance;

(b) reviewing the composition of the Board, having regard to the future requirements of the Group, as well as the need for directors who, as a group, provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group;

(c) developing a process for evaluation of the performance of the Board, its committees and the directors;

# Governance Report

(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 key management personnel and the proposed terms of their employment; and

(h) reviewing board succession plans, as well as training and professional development programs for the Board.

The evaluation of appointment and re-appointment of a director takes into consideration, among others, the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance. *‹Provision 4.3›*

All directors shall submit themselves for re-nomination and re-appointment at regular intervals of at least once every three (3) years in accordance with Rule 720(5) of the Mainboard Listing Rules. 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. In addition, Regulation 122 of the Constitution also provides that a person appointed by the directors to be a director either to fill a casual vacancy or as an additional director shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation at such meeting.

At the forthcoming AGM, Mr Ng Loh Ken Peter and Dr Lim Puay Koon will retire pursuant to Regulation 117 while Mr Lim Swee Yong will retire pursuant to Regulation 122.

Mr Ng Loh Ken Peter, Dr Lim Puay Koon and Mr Lim Swee Yong, all being eligible, have offered themselves for re-election/election. The information of Mr Ng Loh Ken Peter, Dr Lim Puay Koon and Mr Lim Swee Yong are set out in the Board of Directors section of this Annual Report and in Appendix 7.4.1 as per Listing Rule 720(6) of the Mainboard Listing Rules found at paragraph 4.8 of this section.

4.3 The NC's assessment of the independence of a director is guided by the Code and takes into account factors such as relationship which the director, his immediate family, or an organisation which the director, or his immediate family member is a substantial shareholder, partner, executive officer or director in has with the Company or any of, its related corporations, and the director's direct association with a substantial shareholders of the Company, and whether these relationships may affect his independence. *‹Provision 4.4›*

4.4 The NC ensures that the new directors are aware of their duties and obligations. For re-nomination and re-appointment of directors, the NC takes into consideration the competing time commitments faced by directors and their ability to devote appropriate time and attention to the Company. Based on the directors' annual confirmation and their contributions to the Company, which are also evident in their level of attendance and participation at Board and Board Committee meetings, the NC and the Board are satisfied that all the directors were able to and have been adequately carrying out their duties as directors of the Company in FY2021. *‹Provision 4.5›*

# Governance Report

4.5 Mr Toh Hsiang-Wen Keith has been appointed as the alternate director to Mr Loke Wai San. The Board is of the view that Mr Toh Hsiang-Wen Keith has the requisite experience and capabilities to assume the duties and responsibilities as alternate director to Mr Loke Wai San. An alternate director bears all the similar responsibilities of a director.

4.6 In its search and selection process for new directors, among others, the NC taps on the resources of the directors' contacts and recommendations of potential candidates and appraises the candidates to ensure that they possess relevant experience and have the calibre to contribute to the Group, having regard to the attributes of the existing Board and the requirements of the Group.

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

| Name of Directors and Board Membership | Date of First Appointment | Date of Last Election/ Re-Election | Audit Committee | Remuneration Committee | Nominating Committee | Strategy Committee |
|---|---|---|---|---|---|---|
| Thomas Sean Murphy<br>*Chairman and Global CEO* | 2 January 2014 | 17 June 2020 | – | – | – | Chairman |
| Ng Loh Ken Peter<br>*Lead Independent Director* | 27 June 2016 | 29 April 2019 | Chairman | – | Member | – |
| Wong Quee Quee, Jeffrey<br>*Independent Director* | 27 June 2016 | 29 April 2021 | Member | Member | Chairman | – |
| Lim Puay Koon<br>*Independent Director* | 1 April 2020 | 17 June 2020 | Member | Chairman | Member | Member |
| Loke Wai San<br>*Non-Independent Non-Executive Director* | 29 April 2019 | 29 April 2021 | Member | Member | Member | Member |
| Lim Swee Yong<br>*Non-Independent Non-Executive Director* | 9 November 2021 | – | Member | – | – | – |
| Toh Hsiang-Wen Keith<br>*Alternate Director to Mr Loke Wai San* | 1 June 2021 | Not Applicable | – | – | – | – |

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

# Governance Report

**Additional Information on Directors Seeking Re-Election and Appointment**

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

| | Re-election | Re-election |
|---|---|---|
| | Ng Loh Ken Peter | Lim Puay Koon |
| Date of Appointment | 27 June 2016 | 1 April 2020 |
| Date of last re-appointment (if applicable) | 29 April 2019 | – |
| Age | 68 | 61 |
| Country of principal residence | Singapore | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board, having considered the recommendation of the Nominating Committee, and assessed Mr Ng's qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Lead Independent Director of the Company. | The Board, having considered the recommendation of the Nominating Committee, and assessed Dr Lim's qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as an Independent Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Lead Independent Director | Independent Director |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Lead Independent Director, Chairman of Audit Committee and Member of the Nominating Committee | Independent Director, Chairman of Remuneration Committee, Member of Audit and Nominating Committees |
| Working experience and occupation(s) during the past 10 years | 2014 – Present: Director of iFast Corporation Ltd<br><br>2000 – Present: Managing Director of Peterson Asset Management Pte Ltd | 2022 – Present: Independent Non-Executive Director of Nova Tellus Alpha Acquisition Limited<br><br>2021 – Present: Independent Non-Executive Director of Nera Telecommunications Limited<br><br>2019 – Present: Director of Hercules Private Limited<br><br>2014 – 2019: CEO (North Asia) Dimension Data Asia Pacific Private Limited<br><br>2008 – 2014: Managing Director (ASEAN) Dimension Data Asia Pacific Private Limited |
| Shareholding interest in Procurri Corporation Limited and its subsidiaries | Yes | Yes |

# Governance Report

| | | Re-election | Re-election |
|---|---|---|---|
| | | Ng Loh Ken Peter | Lim Puay Koon |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, Procurri Corporation Limited and/or substantial shareholder of Procurri Corporation Limited or of any of its principal subsidiaries | | No | No |
| Conflict of interest (including any competing business) | | No | No |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to Procurri Corporation Limited | | Yes | Yes |
| Other Principal Commitments Including Directorships | | | |
| Past (for the last 5 years) | | OWW Investments III Ltd | HupSteel Limited<br>Hennfa Private Limited<br>Dimension Data Korea<br>Dimension Data Hong Kong Limited<br>Dimension Data China Hong Kong Limited<br>Dimension Data Macau Limited<br>Dimension Data Taiwan Limited |
| Present | | Procurri Corporation Limited<br>iFast Corporation Ltd<br>iFast Financial Pte. Ltd.<br>Peterson Asset Management Pte Ltd | Procurri Corporation Limited<br>Nera Telecommunications Limited<br>Hercules Private Limited<br>Novo Tellus Alpha Acquisition |
| (a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |

# Governance Report

| | | Re-election | Re-election |
|---|---|---|---|
| | | Ng Loh Ken Peter | Lim Puay Koon |
| (b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) | Whether there is any unsatisfied judgment against him? | No | No |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |

# Governance Report

| | | | Re-election | Re-election |
|---|---|---|---|---|
| | | | Ng Loh Ken Peter | Lim Puay Koon |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | | No | No |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | | No | No |
| (h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | | No | No |
| (i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | | No | No |
| (j) | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– | | | |
| | (i) | any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No |

# Governance Report

| | | | Re-election | Re-election |
|---|---|---|---|---|
| | | | Ng Loh Ken Peter | Lim Puay Koon |
| | (ii) | any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |
| | (iii) | any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No |
| | (iv) | any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, | | |
| | in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | No | No |
| (k) | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | | No | No |

***Disclosure applicable to the appointment of Director only.***

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

# Governance Report

**Additional Information on Director Seeking Election and Appointment**

4.8 Pursuant to Rule 720(6) of the Mainboard Listing Rules, the information relating to the director who is seeking election and appointment at the forthcoming AGM of the Company, as required under Appendix 7.4.1 to the Mainboard Listing Rules, is set out below:

| | Election<br>Lim Swee Yong |
|---|---|
| Date of Appointment | 9 November 2021 |
| Date of last re-appointment (if applicable) | N/A |
| Age | 42 |
| Country of principal residence | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board, having considered the recommendation of the NC, and assessed Mr Lim's qualifications and experience, is of the view that he has the requisite experience and capabilities to assume the duties and responsibilities as a Non-Independent Non-Executive Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Independent and Non-Executive Director |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Non-Independent Non-Executive Director and Member of the Audit Committee |
| Working experience and occupation(s) during the past 10 years | January 2021 – Present: CEO of DeClout Ventures Pte. Ltd.<br><br>August 2015 – January 2021: Head of Corporate Development and M&A of DeClout Pte. Ltd.<br><br>January 2015 – July 2015: Vice President, Legal of Fullerton Fund Management Company Ltd.<br><br>2011 – 2014: Director of Stamford Law Corporation |
| Shareholding interest in Procurri Corporation Limited and its subsidiaries | Yes |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, Procurri Corporation Limited and/or substantial shareholder of Procurri Corporation Limited or of any of its principal subsidiaries | Mr Lim is the CEO of DeClout Ventures Pte. Ltd. DeClout Ventures Pte. Ltd. is a subsidiary of DeClout Pte. Ltd. DeClout Pte. Ltd. is a substantial shareholder of Procurri Corporation Limited. |
| Conflict of interest (including any competing business) | No |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to Procurri Corporation Limited | Yes |

# Governance Report

| | | Election |
|---|---|---|
| | | Lim Swee Yong |
| Other Principal Commitments including Directorships | | |
| Past (for the last 5 years) | | Asia Wiring Systems Pte Ltd<br>FundTier Pte. Ltd.<br>FundTier Holdings Pte. Ltd.<br>Procurri Corporation Limited<br>VCargo Cloud Pte. Ltd.<br>68 Systems & Project Engineering Pte Ltd |
| Present | | Procurri Corporation Limited<br>DeClout Ventures Pte. Ltd.<br>Hexa Charge Pte. Ltd. |
| (a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No |
| (b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No |
| (c) | Whether there is any unsatisfied judgment against him? | No |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No |

# Governance Report

| | | | Election |
|---|---|---|---|
| | | | Lim Swee Yong |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | | No |
| (h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | | No |
| (i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | | No |
| (j) | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– | | |
| | (i) | any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No |
| | (ii) | any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No |
| | (iii) | any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No |
| | (iv) | any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, | No |
| | in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | |
| (k) | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | | No |

# Governance Report

***Disclosure applicable to the appointment of Director only.***

| | |
|---|---|
| Any prior experience as a director of a listed company? | Yes |
| If yes, please provide details of prior experience. | Previously served as Non-Independent Non-Executive Director of Procurri Corporation Limited. |
| If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. | N/A |
| Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | N/A |

**BOARD PERFORMANCE**

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

5.1 The NC conducts an annual assessment of the performance of the Board as a whole and the board committees in view of the complementary and collective nature of the directors' contributions. This process is conducted using a questionnaire designed to assess the performance of the Board and the board committees. The Board's and board committees' performance will be evaluated by each director and the findings are collated for the final review by the NC and the Board. Following the review in FY2021, the Board is of the view that the Board and its board committees operate effectively, and each director is contributing to the overall effectiveness of the Board. *‹Provision 5.1›*

5.2 The NC has established objective performance criteria, such as frequency of meetings and participation in strategic planning, risk management and internal controls to evaluate the Board's performance as a whole. *‹Provision 5.1›*

5.3 The Board reviews the assessment conducted by the NC, and where necessary, makes changes to further improve the effectiveness of the Board. Following the review, the Board is of the view that the Board and the board committees operate effectively. *‹Provision 5.2›*

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

5.5 There was no external consultant involved in the Board evaluation process in FY2021. *‹Provision 5.2›*

**(B) REMUNERATION MATTERS**

**PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

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

6.1 The RC comprises:

| | |
|---|---|
| Dr Lim Puay Koon | (Chairman and Independent Director) |
| Mr Wong Quee Quee, Jeffrey | (Member and Independent Director) |
| Mr Loke Wai San | (Member and Non-Independent, Non-Executive Director) |

The majority of the RC, including the RC Chairman, are independent. *‹Provision 6.2›*

# Governance Report

6.2 The key roles of the RC include:

(a) recommending to the Board a framework of remuneration for the directors and the key management personnel, and determining specific remuneration packages for each of them, with the recommendations of the RC submitted to the entire Board for endorsement. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, share options, share-based incentives and rewards, and benefits in kind shall be covered by the RC; *‹Provision 6.1›*

(b) conducting an annual review of the remuneration of employees related to the directors and substantial shareholders, with the assistance of expert advice inside and/or outside the Company if needed, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/or promotions for these employees and will also review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. In the event that a member of the RC is related to an employee under review, the said director abstains from participating in the review; and *‹Provision 6.3›*

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

6.3 If necessary, the RC shall seek expert advice on remuneration of directors and key management personnel. For FY2021, the RC did not seek the service of an external remuneration consultant. *‹Provision 6.4›*

**LEVEL AND MIX OF REMUNERATION**

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

7.1 The Group adopts a compensation philosophy where the executive 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 RC's recommendations are made in consultation with the Chairman and submitted for endorsement by the entire Board. *‹Provision 7.1 and 7.3›*

7.2 The Company has in place the long-term incentive schemes, including the ESOS and the PSP, that serve to motivate and reward the executive directors and key management personnel, and better align their interests with that of the Company. The Company has not granted share options under the ESOS so far. As at 31 December 2021, the Company has granted a total of 1,630,100 share awards pursuant to the PSP. The table below shows the share awards granted pursuant to the PSP during FY2021:

| Date of grant of award | Number of awards* granted | Market price of the shares of the Company on date of grant (S$) | Number of awards* granted to directors and controlling shareholders (and their associates), if any |
|---|---|---|---|
| 12 May 2020 | 1,540,500 | 0.275 | 1,540,500 |
| 18 February 2021 | 89,600 | 0.3065 | 89,600 |

# Governance Report

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

7.4 The non-executive directors receive directors' fees in accordance with their level of contribution and commensurate with their appointment, taking into account factors, such as responsibilities, effort and time spent for serving on the Board and board committees. The Company believes that the current remuneration of independent directors is at a level that will not compromise their independence. *‹Provision 7.2›*

7.5 The Company currently uses contractual provisions to reclaim incentive components of remuneration from the executive directors and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company.

**DISCLOSURE ON REMUNERATION**

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

8.1 Mr Thomas Sean Murphy's current service agreement with the Company ends on 31 December 2023. His service agreement is renewable thereafter as may be agreed between the Company and him.

The remuneration package comprises a basic salary component, Target Short Term Incentive ("**STI**"), which is the annual target bonus in cash, and a Target Long Term Incentive ("**LTI**"), which is the PSP to be cliff vested over three (3) calendar years. Both the on-target STI and LTI are conditional on certain profit before tax ("**PBT**") and/or objective key results ("**OKR**") targets (as outlined in a schedule of targets).

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

There are no retirement and post-employment benefits that are granted to the executive director. The executive director has been granted severance payments which are only payable to him for loss of office under certain specific circumstances.

8.2 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. *‹Provision 8.1›*

# Governance Report

8.3 A breakdown showing the level and mix of each individual director's remuneration paid/payable for FY2021 in bands of S$250,000 is as follows: <*Provision 8.3*>

| Remuneration bands/ Name of director | Salary(1) (%) | Bonus (%) | Director's Fees (%) | Others(2) (%) | Total (%) |
|---|---|---|---|---|---|
| (i) **S$750,000 to below S$1,000,000** | | | | | |
| Mr Thomas Sean Murphy | 96 | – | – | 4 | 100 |
| (ii) **S$500,000 to below S$750,000** | | | | | |
| Mr Edward John Flachbarth(3) | 29 | – | – | 71 | 100 |
| (iii) **Below S$250,000** | | | | | |
| Mr Ng Loh Ken Peter | – | – | 100 | – | 100 |
| Mr Wong Quee Quee, Jeffrey | – | – | 100 | – | 100 |
| Mr Loke Wai San | – | – | 100 | – | 100 |
| Dr Lim Puay Koon | – | – | 100 | – | 100 |
| Mr Lim Swee Yong(4) | – | – | 100 | – | 100 |

**Note:**
(1) Includes fixed allowances.
(2) Includes fair value of the awards under PSP for FY2021 vested during the year on or before 31 December 2021.
(3) Resigned as director on 1 July 2021.
(4) Director fees pro-rated from 9 November 2021.

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

8.4 Given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment in which the Group operates and the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place, it is in the best interest of the Group to maintain confidentiality of the names and remuneration details of its top 5 key management personnel (who are not directors or the Global CEO) of the Group. For FY2021, the remuneration bands (including any bonuses, allowances, share options and share-based incentives and awards) of each of the top 5 key management personnel (who are not directors or the Global CEO) of the Group are provided below: <*Provision 8.1*>

| Remuneration bands | Number of Executives |
|---|---|
| S$500,000 to S$749,999(1) | 3 |
| S$250,000 to S$499,999(1) | 2 |

**Note:**
(1) Included employers' CPF and fair value of the awards under the PSP for FY2021 vested during the year on or before 31 December 2021.

The total remuneration, in aggregate, paid to the top 5 key executives of the Group (who are not directors or the Global CEO) for FY2021 is approximately S$3,021,405.

# Governance Report

8.5 The Company does not have any employees who are substantial shareholders of the Company, or are immediate family members of a director, the Global CEO or substantial shareholder of the Company, and whose remuneration exceeds S$100,000 in FY2021.

## (C) ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

9.1 The Board oversees management in the area of risk management and internal control systems. The Board regularly reviews the Company's business and operational activities to identify areas of significant risks, as well as to take appropriate measures to control and mitigate these risks.

9.2 The management provides reports of risk management to the Board on a quarterly basis. The Company's risk management framework and internal control system covers financial, operational, compliance and information technology risks and internal controls. The Group has an in-house internal audit function that is carried out by the Group's internal audit ("**GIA**"). The Audit Committee evaluates the findings of the external and internal auditors on the Group's internal controls annually. *‹Provision 9.1›*

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

Based on:

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

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

(c) the confirmations received from the Global CEO, the CFO, and the key management personnel of the respective subsidiaries that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the Group's internal control procedures in place are adequate and effective in addressing the financial, operational, compliance, information technology controls and risk management systems, *‹Provision 9.2›*

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

In FY 2021, there were no incidences of non-compliance with sections related laws and/or regulations, and the Company is not exposed to, or has a nexus, to any sanctions-related risk, in any material respect.

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

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

# Governance Report

**AUDIT COMMITTEE**

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

10.1 The AC comprises:

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

The majority of the AC, including the AC Chairman, are independent.

10.2 At least two (2) members of the AC, including the AC Chairman, have sufficient accounting and related financial management expertise. The Board considers that the members of the AC are suitably qualified to discharge the AC’s responsibilities. *‹Provision 10.2›*

10.3 The AC has the authority to investigate any matters within its terms of reference and the discretion to invite any director or executive officer to attend its meetings. The management grants full cooperation and resources to enable the AC to discharge its functions properly.

10.4 The key roles of the AC include: *‹Provision 10.1›*

(a) assisting the Board in discharging its statutory responsibilities on financing and accounting matters;

(b) reviewing significant financial reporting issues and judgments to ensure the integrity of the financial statements and any formal announcements relating to financial performance;

(c) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;

(d) reviewing the external auditors’ audit plan and audit report, and the external auditors’ evaluation of the system of internal accounting controls, as well as reviewing the Group’s implementation of any recommendations to address any control weaknesses highlighted by the external auditors;

(e) reviewing the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board, including those in connection with compliance with environmental laws and regulations;

(f) reviewing the statements to be included in the annual reports concerning the adequacy and effectiveness of the risk management and internal controls systems, including financial, operational, compliance and information technology controls;

(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 the 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 Mainboard 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 the Group, prior to such transactions being entered into;

# Governance Report

(h) reviewing the scope and results of the internal audit procedures, the implementation of recommendations by internal auditors, and at least annually, the adequacy and effectiveness of the internal audit function;

(i) approving the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced;

(j) appraising and reporting to the Board on the audits undertaken by the external auditors and internal auditors, and the adequacy of disclosure of information; and

(k) making recommendations to the Board on the proposals to shareholders on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

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

10.6 The AC reviews the independence of the external auditor annually. In the selection of suitable auditing firms, the AC takes into consideration several factors, such as the adequacy of resources, experience of the accounting auditing firm, the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit and its ability to provide audit service to the foreign subsidiaries of the Company. The selected auditing firm based in Singapore is engaged as auditors for the Company, as well as the Company's Singapore-incorporated subsidiaries.

Most of the Group's subsidiaries have appointed the member firms of EY Global while the rest have appointed different auditors. The AC is satisfied that the appointments would not compromise the standard and effectiveness of the audit of these subsidiaries. Accordingly, the Company has complied with Rule 712, 715 and 716 of the Mainboard Listing Rules.

The AC has reviewed the independence of the external auditors of the Company, including the volume of non-audit services performed, as well as the cost-effectiveness. The aggregate amount of fees paid and payable to the external auditors of the Company and other member firms of EY Global in FY2021 are tabulated in the table below:

| Fees Paid and Payable | S$ | % |
|---|---|---|
| Audit Services | 576,000 | 96.32 |
| Non-Audit Services | 22,000 | 3.68 |
| Total | 598,000 | 100.00 |

The non-audit fees were mainly in relation to tax returns compliance services and other tax advisory services. The AC is satisfied that the nature and extent of such services will not prejudice the independence of the external auditors of the Company.

10.7 The Board, on the recommendation of the AC, approved and put in place a whistle blowing policy and procedure for reporting impropriety in matters of financial reporting and other matters (the "**Whistle Blowing Policy**"). The AC will review the adequacy of the whistle-blowing arrangements instituted by the Group through which employees and external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

# Governance Report

The objectives of the Whistle Blowing Policy are to ensure that arrangements are in place for independent investigation and appropriate remedial measures are taken where warranted. The complaint reported will be treated confidentially and the identity and interest of the complainant will be protected except as necessary or appropriate to conduct investigation and to take remedial action, in accordance with the applicable laws and regulations. All whistle-blowing matters received by the Group will be submitted directly to the AC Chairman. Upon receipt of a complaint, according to the Whistle Blowing Policy, the AC Chairman in consultation with fellow AC members will exercise discretion on how to proceed with the investigation and thereafter based on the results of the investigation presented by the independent investigation team appointed by the AC, recommend any remedial measures to be taken.

The Group is committed to a high standard of ethical conduct and adopts a zero-tolerance approach to fraud. The Whistle Blowing Policy is covered during employees' onboarding training as part of the Group's efforts to promote awareness of fraud control. On an ongoing basis, the Whistle Blowing Policy is communicated to employees through the Group's intranet. The employees are advised that the Company will ensure no one will be at risk of suffering form of retribution as a result of raising a concern in good faith even if they turn out to be mistaken.

There was one reported incident pertaining to whistle blowing during FY2021.

10.8 The AC is updated annually on any changes in accounting standards by the external auditor. This ensures that the AC is kept abreast of changes to accounting standards and issues which have a direct impact on the Group's financial statements. The AC conducted meetings in FY2021 during which results announcements, external audit report, internal audit report, independence of auditors, appointment of auditors and interested person transactions were reviewed, and the duties as described above were carried out.

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

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

In the review of the financial statements, the AC had discussions with the management on the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with the management and the external auditors, and were reviewed by the AC:

| KAM | How the AC reviewed these matters and what decisions were made |
|---|---|
| (a) Revenue Recognition<br>(b) Impairment Assessment of Goodwill and Cost of Investment in Subsidiaries<br>(c) Impairment Assessment of Trade Receivables<br>(d) Inventories Write down | The AC examined the findings on these and other financial reporting matters together with the external auditors and management. In these KAMs, the AC assessed the management's judgements and estimates, considered the approach and methodology applied to valuation models, and reviewed the accounting treatments adopted by management. The AC concurred with the external auditors' opinion on the KAMs. The AC considered the KAMs reported by the external auditors and how those KAMs have been addressed by the external auditors. |

# Governance Report

**Internal Audit** *‹Provision 10.4›*

10.11 The GIA is independent of the management and assists the Group in evaluating and assessing the effectiveness of internal controls and to consequently highlight the areas where control weaknesses exist, if any, and thus improvements could be made.

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

10.13 The AC is satisfied that the internal audit function is independent, effective and adequately resourced by personnel with the relevant qualifications and experience. ‹Rule 719(3) of Mainboard Listing Rules›

10.14 The GIA function is carried out in accordance with the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

10.15 The GIA comprises an individual, Group Internal Auditor, Mr. Nicholas Chan Kin Yaw ("**Mr. Chan**"). Mr. Chan has over 12 years' experience in the field of internal audit, internal controls, and risk management. He has an honors degree in the Bachelor of Accounting from the National University of Malaysia. He is a Certified Internal Auditor (CIA) with the Institute of Internal Auditors and a Certified Information Systems Auditor (CISA). He is also a fellow member of the Association of Chartered Certified Accountants (ACCA) and a Chartered Accountant with the Malaysian Institute of Accountants as well as an ASEAN Chartered Professional Accountant (ASEAN CPA).

The AC reviews the adequacy and effectiveness of the Group's internal controls, including financial operational, compliance and information technology controls and risk management systems through discussions with the management, its external auditors and GIA, and reports to the Board annually. Where material weaknesses are identified by the Board or AC, the Company will disclose them with the steps taken to address those weaknesses. There were no material weaknesses identified by the Board or AC during FY2021 until the date of this Annual Report. ‹Rule 1207 (10) and Rule 1207 (10C) of Mainboard Listing Rules›

## (C) SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETING

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

11.1 The Company ensures that timely and adequate disclosure of information on matters of material impact on the Company are made to shareholders of the Company, in compliance with the requirements set out in the Mainboard Listing Rules.

11.2 Shareholders are given the opportunity to participate in, and vote at, general meetings and shareholders are informed of the rules, including the voting procedures that govern the general meetings of shareholders. *‹Provision 11.1›*

11.3 Resolutions at general meetings are on each substantially separate issue. The Company avoids bundling resolutions unless they are interdependent and linked. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before they are voted on. *‹Provision 11.2›*

11.4 General meetings are held in Singapore. At such meetings, shareholders of the Company are given the opportunity to air their views and ask the directors questions regarding the Company. A proxy form is sent with the notice of general meeting to all shareholders so that those shareholders who are unable to attend the general meeting in person can appoint a proxy or proxies to attend and vote on their behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement absentia voting methods at general meetings. *‹Provision 11.4›*

In view of the current COVID-19 situation, the forthcoming AGM of the Company will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order 2020**"). Alternative arrangements relating to attendance at the general meetings (including arrangements by which the general meetings can be electronically accessed via live audio-visual webcast or live audio-only feed), submission of questions to the Chairman of the meetings in advance of the meetings, addressing of substantial and relevant questions prior to or at the meetings and voting by appointing the Chairman of the meetings as proxy at the meetings, are set out in the Notice of AGM. The Annual Report, Notice of AGM and Proxy form will be made available to shareholders by electronic means via publication on SGXNET and on the Company's website.

11.5 All the directors attend the general meetings of the Company to address shareholders' questions relating to the Company's development and the work of the board committees. The external auditors are also present to address shareholders' queries about the conduct of the audit and preparation and content of the auditors' report. For the AGM held in FY2021, directors (including the Chairman, independent directors and the chairman of all the Board committees) attended the meeting. *‹Provision 11.3›*

11.6 Since FY2018, the minutes of the general meetings are publicly available on the Company's website. *‹Provision 11.5›*

11.7 The Company employs electronic polling at all general meetings. Separate resolutions are proposed on each substantially separate issue. To ensure transparency in the voting process, the detailed results of all resolutions put to vote showing the number of votes cast for and against each resolution, and the respective percentages are tallied and displayed live on-screen to shareholders immediately after the vote has been cast and is also announced via SGXNET after the conclusion of the general meeting.

11.8 The Company currently does not have a fixed dividend policy. In considering the form, frequency and amount of dividends that the Board may recommend or declare in respect of any particular year or period, the Board takes into account the Company's retained earnings, expected future earnings, operations, cash flow, capital requirements, general business and financing conditions, as well as other factors which the Board may determine appropriate. *‹Provision 11.6›*

11.9 There was no dividend declared for FY2021 as the Group wishes to reserve funds for the future business development and expansion of the Group.

**ENGAGEMENT WITH SHAREHOLDERS**

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

12.1 The Company has an investor relations and corporate marketing team who assists in facilitating the communications with all stakeholders – shareholders, analysts and media – on a regular basis, to attend to their queries or concerns, as well as to keep the market and investors publicly apprised of the Group's major corporate developments and financial performance. The Company has in place an investor relations policy which promotes the timely dissemination of relevant information to the Company's shareholders and prospective investors to enable them to make well-informed investment decisions and to ensure a level playing field. The policy is available at the Company's website at the Investor Relations section. *‹Provision 12.1›*

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

12.3 Information is disclosed in a timely manner to the shareholders through SGXNET and is also made available on the Company's website. The Company ensures fair access of information to all shareholders at the same time and does not practise selective disclosure of material information.

# Governance Report

12.4 The Company maintains regular dialogue with shareholders and the investment community through analyst briefings, investor meetings, non-deal roadshows and at the general meetings. Analyst briefings are conducted for members of the investment community and media generally after results announcements. Key management personnel, including the Global CEO and the CFO, are typically present in these briefings. The results announcements and the analyst briefing presentations are all published on SGXNET and are also made available on the Company's website, www.procurri.com. *‹Provision 12.2›*

**(E) ENGAGEMENT WITH STAKEHOLDERS**

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

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

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

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

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

**(F) OTHER CORPORATE GOVERNANCE MATTERS**

**MATERIAL CONTRACTS**

Save for the service 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 Global CEO, any director or controlling shareholders, either still subsisting at the end of FY2021 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 Mainboard Listing Rules, the Company issues a directive to all directors and employees not to deal in the Company's securities during the period commencing one month immediately preceding the announcement of the Company's half year results and full-year results (as the case may be), and ending on the date of announcement of the relevant results. Reminders are sent via email to remind all directors and employees.

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

# Governance Report

## INTERESTED PERSON TRANSACTIONS

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

The Company does not have any general mandate from shareholders for interested person transactions.

Details of the interested person transactions for FY2021 are as follows:

| Name of Interested Person | Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000 | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000 |
|---|---|---|
| Edward John Flachbarth[(1)] | 600[(1)] | – |

(1) Edward John Flachbarth ("**EJF**") was our Executive Director and Global President ("**GP**"). On 28 June 2019, EJF entered into a new 3-year service agreement (the "**EJF Service Agreement**") to replace his former service agreement, in respect of his appointments as Executive Director and GP. Pursuant to the EJF Service Agreement, in the event of EJF's loss of office under certain specific circumstances as set out in the EJF Service Agreement, the Company shall pay ("**EJF Payment**") to EJF an amount capped at S$600,000. EJF has ceased his position as our Executive Director and GP on 1 July 2021 and the EJF Payment had been paid.

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

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

| Use of Proceeds | Amount S$'000 | Net Proceeds utilised S$'000 | Net Proceeds unutilized S$'000 |
|---|---|---|---|
| Merger and acquisitions, joint ventures and partnerships strategy | 20,089 | 17,800 | 2,289 |
| Enhancement of infrastructure | 1,911 | 1,911 | – |
| Repayment of the DeClout loans | 6,081 | 6,081 | – |
| Working capital purposes<br>– Funding of capital injection into Procurri (Beijing) Co., Ltd – S$700,000<br>– Meeting trade expenses – S$500,000<br>– Meeting operating and other expenses – S$1,544,000<br>– Procurri maintenance parts for the lifecycle services business of the Group – S$4,000,000 | 6,744 | 6,744 | – |
| Total | 34,825 | 32,536 | 2,289 |

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

# Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Procurri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2021.

**Opinion of the directors**

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Directors**

The directors of the Company in office at the date of this statement are:

| | |
|---|---|
| Thomas Sean Murphy | |
| Ng Loh Ken Peter | |
| Wong Quee Quee, Jeffrey | |
| Loke Wai San | |
| Lim Puay Koon | |
| Lim Swee Yong | (Appointed on 9 November 2021) |
| Toh Hsiang – Wen Keith | (Appointed on 1 June 2021) (Alternative Director to Loke Wai San) |

**Arrangements to enable directors to acquire shares and debentures**

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

# Directors' Statement

**Directors' interests in shares and debentures**

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required, to be kept under Section 164 of the Singapore Companies Act 1967 ("the Act"), an interest in shares and share options of the Company and related corporations as stated below:

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

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

**Share options and awards**

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

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

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

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

# Directors' Statement

**Share options and awards** (Continued)

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

- confirmed employees of the group;
- directors of the Company and/or any of its subsidiaries and/or any of its associated companies who perform an executive function; and
- directors of the Company and/or any of its subsidiaries, other than those who perform an executive function (subject to the rules of the Procurri PSP).

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

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

| | Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at beginning of the year | Number of shares which are the subject of the awards granted under the Procurri PSP granted during the year | Number of shares issued pursuant to the awards during the year | Number of shares forfeited/lapsed pursuant to the awards during the year | Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at end of the year |
|---|---|---|---|---|---|
| **2020** | 669,800 | 1,540,500 | 1,131,600 | – | 1,078,700 |
| **2021** | 1,078,700 | 89,600 | 551,400 | – | 616,900 |

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

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

| Participants | Aggregate number of shares comprised in awards granted since the start of the plan to end of year | Number of shares comprised in awards granted during the year | Aggregate number of shares comprised in awards vested since the start of the plan to end of year | Number of shares comprised in awards forfeited/lapsed since the start of the plan to end of year | Aggregate number of shares comprised in awards outstanding as at end of year |
|---|---|---|---|---|---|
| Directors | | | | | |
| Thomas Sean Murphy | 1,790,500 | 160,300 | 1,576,600 | – | 213,900 |
| Ng Loh Ken Peter | 305,200 | 32,600 | 305,200 | – | – |
| Wong Quee Quee, Jeffrey | 278,400 | 32,600 | 278,400 | – | – |
| Lim Puay Koon | 24,400 | 24,400 | 24,400 | – | – |

# Directors' Statement

**Share options and awards** (Continued)

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

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

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

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

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

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

(subject to the rules of the Procurri ESOS).

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

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

**Audit Committee**

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

- Ng Loh Ken Peter (Chairman of AC and lead independent and non-executive director)
- Wong Quee Quee, Jeffrey (Chairman of the RC and independent and non-executive director)
- Lim Puay Koon (Independent and non-executive director)
- Loke Wai San (Non-independent and non-executive director)
- Lim Swee Yong (Non-independent and non-executive director)

The AC carried out its functions in accordance with the Companies Act 1967, the SGX-ST Listing Manual and the Code of Corporate Governance. Among other functions, it performed the following:

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

# Directors' Statement

**Audit Committee** (Continued)

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

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

**Auditor**

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

On behalf of the board of directors,

Thomas Sean Murphy
Director

Ng Loh Ken Peter
Director

7 April 2022

# Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Procurri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2021, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

**Basis for Opinion**

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

**Key Audit Matters**

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

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

# Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

**Key Audit Matters** (Continued)

**Revenue Recognition**

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

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of management's internal controls over the revenue recognition process and tested a sample of revenue transactions and the related supporting documents to assess if the related revenue and trade receivables are recorded in the correct accounting period. We performed sales cut-off test and reviewed credit notes issued to customers after year end to ascertain whether revenue is recorded in the correct period. We performed gross margins and trend analysis and compared them against prior year actual results and used data analytic procedures to analyze relationships between revenue, trade receivables and cash to identify any unusual trends. Lastly, we considered the adequacy of the disclosures in respect of revenue in Note 4 to the financial statements.

**Impairment Assessment of Goodwill and Cost of Investment in Subsidiaries**

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

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

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

We assessed the method and evaluated the reasonableness of the key assumptions used by management in the impairment test to estimate the recoverable amount, in particular the forecasted revenue growth and gross margin rate, terminal growth rates and discount rates. We considered the robustness of management's budgeting process by comparing actual financial performance against previously forecasted results. We assessed the reasonableness of the forecasted revenue growth rate and gross margin rate by comparing them to historical performance and business plans, including the impact of COVID-19 pandemic. We evaluated the terminal growth rates by comparing them to external sources such as economic growth and expected inflation rates. We involved our internal valuation specialists to assess the reasonableness of the discount rates used by checking to comparable companies in the same industry. We reviewed management's analysis of the sensitivity of the value-in-use calculations to a reasonably possible change in the key assumptions. We also reviewed the adequacy of the Group's disclosures in Note 14 and 15 to the financial statements.

# Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

**Key Audit Matters** (Continued)

**Impairment Assessment of Trade Receivables**

The Group's trade receivable balances were significant as they represent 42% of the total current assets in the consolidated balance sheet. The gross trade receivables and allowance for expected credit loss of trade receivables amounted to $48,601,000 and $1,689,000 respectively as at 31 December 2021. The Group uses a provision matrix to calculate expected credit losses for trade receivables which is determined based on the Group's historical observed default rates, customers' ability to pay and adjusted with forward-looking information. The determination of expected credit losses require management to exercise significant judgement and estimation uncertainty, including the impact COVID-19 may have on the debtors' businesses. As such, we determined this as a key audit matter.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. We assessed the Group's processes and controls relating to the monitoring of trade receivables and considered the age of the debts to identify collection risks. We requested trade receivable confirmations for selected trade debtors and reviewed for collectability by obtaining evidence of subsequent receipts from debtors. We also reviewed the past payment history and credit worthiness of debtors. We had discussions with management on the recoverability of long outstanding debts. We tested the ageing of the receivables and reviewed management's grouping of the receivables into category with similar loss patterns. We assessed the reasonableness of the allowance for expected credit losses by comparing the actual loss trends across periods against loss rate applied to management's grouping in the different geographical area. We also assessed the reasonableness of the adjustments made to historical loss rates to incorporate current conditions of the debtors and forward-looking information based on specific economic data, including the current business environment. We assessed the adequacy of the Group's disclosures on the trade receivables in Note 18 and the related risks such as credit risk and liquidity risk in Note 30.

**Inventories Write-down**

The Group's net inventories amounted to $20,928,000 as at 31 December 2021 and the allowance to write-down to net realizable value ("NRV") amounted to $9,951,000 during the financial year. The Group's inventories mainly consist of computer hardware and peripheral equipment, which are subject to risks of obsolescence due to technological advancements or changes in consumers' preference. The determination of inventory write-down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of the quantum of such write down based on their market value. As such, we determined this to be a key audit matter.

As part of our procedures, we obtained the inventory ageing report and discussed with management their procedures to identify slow-moving and obsolete inventories and assessed the adequacy of slow-moving and obsolete inventories write down to NRV. We selected samples of inventories and tested that they were stated at the lower of cost and NRV by verifying to market prices of products with similar technical specifications, and/or to selling prices of the inventories subsequent to year-end. We performed physical observations and stock counts on sampling basis to ascertain existence of inventory. We also assessed the adequacy of the disclosures related to inventories in Note 17 to the financial statements.

**Other Information**

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

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

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

# Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

**Responsibilities of Management and Directors for the Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

# Independent Auditor's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Tee Huey Yenn.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

7 April 2022

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

# Balance Sheets

AS AT 31 DECEMBER 2021

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Plant and equipment | 12 | **2,260** | 2,957 | **–** | 8 |
| Right-of-use assets | 13 | **4,409** | 7,004 | **90** | 306 |
| Investment in subsidiaries | 14 | **–** | – | **44,367** | 44,323 |
| Intangible assets | 15 | **12,528** | 12,528 | **–** | – |
| Finance lease receivables | 16 | **50** | 210 | **–** | – |
| Deferred tax assets | 10 | **5,261** | 4,233 | **–** | 325 |
| | | **24,508** | 26,932 | **44,457** | 44,962 |
| **Current assets** | | | | | |
| Inventories | 17 | **20,928** | 26,035 | **–** | – |
| Trade and other receivables | 18 | **51,412** | 34,564 | **27,238** | 27,815 |
| Prepayments | 19 | **8,971** | 9,186 | **17** | 17 |
| Finance lease receivables | 16 | **528** | 299 | **–** | – |
| Cash and bank balances | 20 | **29,597** | 32,700 | **4,162** | 4,753 |
| | | **111,436** | 102,784 | **31,417** | 32,585 |
| **Total assets** | | **135,944** | 129,716 | **75,874** | 77,547 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | **36,318** | 27,206 | **2,120** | 2,360 |
| Deferred income | 22 | **20,561** | 16,197 | **–** | – |
| Loans and borrowings | 23 | **12,082** | 16,232 | **–** | 1,322 |
| Lease liabilities | 13 | **1,531** | 2,876 | **93** | 220 |
| Income tax payable | | **1,854** | 1,154 | **1,313** | 1,195 |
| | | **72,346** | 63,665 | **3,526** | 5,097 |
| **Net current assets** | | **39,090** | 39,119 | **27,891** | 27,488 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 10 | **38** | 67 | **38** | – |
| Loans and borrowings | 23 | **–** | 4,796 | **–** | – |
| Lease liabilities | 13 | **3,896** | 5,191 | **–** | 93 |
| Provisions | 24 | **978** | 815 | **65** | 65 |
| Deferred income | 4 | **1,301** | 2,679 | **–** | – |
| | | **6,213** | 13,548 | **103** | 158 |
| **Total liabilities** | | **78,559** | 77,213 | **3,629** | 5,255 |
| **Net assets** | | **57,385** | 52,503 | **72,245** | 72,292 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 25 | **74,695** | 74,541 | **74,695** | 74,541 |
| Retained earnings/(accumulated losses) | | **29,084** | 24,638 | **(2,576)** | (2,445) |
| Other reserves | 26 | **(46,394)** | (46,676) | **126** | 196 |
| | | **57,385** | 52,503 | **72,245** | 72,292 |
| Non-controlling interests* | | **–** | – | **–** | – |
| **Total equity** | | **57,385** | 52,503 | **72,245** | 72,292 |
| **Total equity and liabilities** | | **135,944** | 129,716 | **75,874** | 77,547 |

* Less than $1,000

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

# Statements of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

# Consolidated Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | Note | Group 2021 $'000 | Group 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **3,856** | 4,031 |
| Adjustments for: | | | |
| Depreciation of plant and equipment | 12 | **1,180** | 3,862 |
| Depreciation of right-of-use assets | 13 | **2,928** | 2,837 |
| Write-off of plant and equipment | 12 | **52** | – |
| Amortisation of intangible assets | 15 | **272** | 799 |
| Share-based payment | 27 | **84** | 322 |
| Fair value adjustment on financial liability | 8 | **–** | (188) |
| Impairment loss on goodwill | 8 | **–** | 350 |
| Interest income | 5 | **(12)** | (67) |
| Finance costs | 7 | **639** | 1,108 |
| Inventories written down | 17 | **9,951** | 7,355 |
| Impairment loss on trade and other receivables | 8 | **355** | 662 |
| Provisions | 24 | **156** | 123 |
| Exchange differences | | **7** | 350 |
| **Operating cash flows before changes in working capital** | | **19,468** | 21,544 |
| (Increase)/decrease in inventories | | **(4,911)** | 543 |
| (Increase)/decrease in trade and other receivables | | **(16,722)** | 16,211 |
| (Increase)/decrease in finance lease receivables | | **(70)** | 856 |
| Decrease in prepayment | | **215** | 4,189 |
| Increase/(decrease) in deferred income | | **2,986** | (8,331) |
| Increase/(decrease) in trade and other payables | | **9,111** | (5,603) |
| **Net cash generated from operations** | | **10,077** | 29,409 |
| Income taxes paid | | **(637)** | (1,930) |
| **Net cash generated from operating activities** | | **9,440** | 27,479 |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | | **(434)** | (1,381) |
| Proceeds from maturity of fixed deposits | | **1,321** | 4,042 |
| Interest received | | **12** | 67 |
| **Net cash generated from investing activities** | | **899** | 2,728 |
| **Cash flows from financing activities** | | | |
| Share issuance expense | | **–** | (30) |
| Proceeds from loans and borrowings | | **148,083** | 154,520 |
| Repayments of loans and borrowings | | **(157,327)** | (150,092) |
| Payment of principal portion of lease liabilities | | **(2,770)** | (2,611) |
| Acquisition of non-controlling interest | | **–** | (11,182) |
| Interest paid | | **(639)** | (1,108) |
| **Net cash used in financing activities** | | **(12,653)** | (10,503) |
| Net (decrease)/increase in cash and cash equivalents | | **(2,314)** | 19,704 |
| Effect of exchange rate changes on cash and cash equivalents | | **532** | (73) |
| Cash and cash equivalents at beginning of the financial year | | **31,254** | 11,623 |
| **Cash and cash equivalents at end of the financial year (Note 20)** | | **29,472** | 31,254 |

*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 2021

## 1. CORPORATE INFORMATION

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

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

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

### 2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

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

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

### 2.4 Basis of consolidation and business combinations

#### (a) Basis of consolidation

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

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

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

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

# Notes to the Financial Statements



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Basis of consolidation and business combinations (Continued)

**(b) Business combinations and goodwill**

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

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

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the cash-generating units may be impaired. Impairment for goodwill is determined by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

### 2.5 Transactions with non-controlling interests

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

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

# Notes to the Financial Statements



2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**2.6 Foreign currency**

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

**(a) Transactions and balances**

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

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

**(b) Consolidated financial statements**

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

**2.7 Plant and equipment**

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

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

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

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 Intangible assets

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

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

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

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

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

| | | |
|---|---|---|
| Software | – | 5 years |
| Technical know-how | – | 5 years |

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

### 2.9 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**2.10 Subsidiaries**

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

In the Company's balance sheet, investment in subsidiaries are accounted for at cost less impairment losses.

**2.11 Financial instruments**

**(a) Financial assets**

**Initial recognition and measurement**

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

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

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

**Subsequent measurement**

Investments in debt instruments

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

(i) Amortised cost

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

(ii) Fair value through profit or loss

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Financial instruments (Continued)

#### (a) Financial assets (Continued)

**Derecognition**

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

#### (b) Financial liabilities

**Initial recognition and measurement**

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

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

**Subsequent measurement**

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

**Derecognition**

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

### 2.12 Impairment of financial assets

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Impairment of financial assets (Continued)

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

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

### 2.13 Cash and cash equivalents

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

### 2.14 Inventories

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

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

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

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

### 2.15 Provisions

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**2.16 Government grants**

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

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

**2.17 Borrowing costs**

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

**2.18 Employee benefits**

**(a) Defined contributions plan**

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

**(b) Share-based payments**

<u>Procurri PSP</u>

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Leases

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

**(a) As lessee**

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

*Right-of-use assets*

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

Office premises – 2 – 10 years

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

*Lease liabilities*

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**2.19 Leases** (Continued)

**(a) As lessee** (Continued)

*Short-term leases and leases of low-value assets*

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

**(b) As lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**2.20 Revenue recognition**

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

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

**(a) Sale of goods**

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

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**2.20 Revenue recognition** (Continued)

**(b) Rendering of services**

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

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

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

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

**(c) Equipment rental and leasing income**

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

**(d) Cost to obtain a contract**

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

**(e) Deferred income**

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

**(f) Interest income**

Interest income including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**2.21 Taxes**

(a) **Current income tax**

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

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

(b) **Deferred tax**

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

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

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

- In respect of taxable temporary differences associated with investment in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

**2.21 Taxes** (Continued)

**(b) Deferred tax** (Continued)

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

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

**(c) Sales tax**

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

**2.22 Share capital and share issuance expenses**

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

**2.23 Contingencies**

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group;

(b) a present obligation that arises from past events but is not recognised because

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### 3.1 Judgements made in applying accounting policies

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

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### (a) Provision for expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 18 to the financial statements.

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

#### (b) Inventories write-down

Inventory is stated at the lower of cost and net realisable value ("NRV"). The Group's inventories mainly consist of computer hardware and peripheral equipment, which are subject to risk of obsolescence due to technological advancements or changes in consumers' preferences.

The determination of inventories write-down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of write-down required. The carrying amount of inventories stated at the lower of cost and NRV as at 31 December 2021 was $20,928,000 (2020: $26,035,000) and the related allowance for write-down was $9,951,000 (2020: $7,355,000) during the financial year.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3. **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES** (CONTINUED)

3.2 **Key sources of estimation uncertainty** (Continued)

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

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

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

4. **REVENUE**

(a) **Disaggregation of revenue**

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. **REVENUE** (CONTINUED)

(b) **Judgement and methods used in estimating revenue**

Estimating variable consideration for sale of goods

In estimating the variable consideration for the sale of goods, management relies on historical experience with product returns of customers, analysed by customers and geographical areas.

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

(c) **Contract balances**

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

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

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

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

Significant changes in deferred income is explained as follows:

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

5. **OTHER INCOME**

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5. **OTHER INCOME** (CONTINUED)

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

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

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

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

6. **EMPLOYEE BENEFITS EXPENSE**

| | Group | |
|---|---|---|
| | **2021** | 2020 |
| | **$'000** | $'000 |
| Salaries, allowances, bonuses and commissions | **54,113** | 49,017 |
| Contributions to defined contribution plan | **4,145** | 4,584 |
| Share-based payments (Note 27) | **84** | 322 |
| Other short-term benefits | **1,519** | 2,029 |
| | **59,861** | 55,952 |
| The employee benefits expense is charged under: | | |
| Administrative expenses | **19,123** | 27,745 |
| Cost of sales | **13,982** | 7,713 |
| Selling expenses | **26,756** | 20,494 |
| | **59,861** | 55,952 |

7. **FINANCE COSTS**

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 8. OTHER CHARGES, NET

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

## 9. PROFIT BEFORE TAX

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

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

## 10. INCOME TAX EXPENSE

***Components of income tax expense***

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 10. INCOME TAX EXPENSE (CONTINUED)

***Components of income tax expense*** (Continued)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2021 and 2020 is as follows:

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

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

| | Group | |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Excess of net book value of plant and equipment over tax values | **(312)** | 36 |
| Tax benefit arising from acquisition of non-controlling interests | **179** | (461) |
| Unutilized tax losses | **1,181** | 59 |
| Unutilized capital allowances | **3** | 17 |
| Provisions | **(164)** | 446 |
| Over/(under) provision in respect of previous years | **183** | (118) |
| Others | **(13)** | (25) |
| Total deferred tax credit/(expense) recognised in profit or loss | **1,057** | (46) |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 10. INCOME TAX EXPENSE (CONTINUED)

***Deferred tax balance in balance sheets:***

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

Unrecognized temporary differences relating to investment in subsidiaries

The Group has not recognized deferred tax liability in respect of undistributed profits of subsidiaries because the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognized amounted to $36,065,000 (2020: $35,720,000). The deferred tax liability is estimated to be $7,628,000 (2020: $3,654,000).

Unrecognized tax losses

At the end of the reporting period, the Group has tax losses of approximately $1,293,000 (2020: $1,356,000) that are available for offset against future taxable profits of the Group in which the losses arose, for which no deferred tax assets is recognized due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation of the country in which the subsidiary operates.

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

At the end of the reporting period, the Group has unrecognized deferred tax assets of approximately $3,728,000 (2020: $4,290,000) arising from the acquisition of non-controlling interests. From tax perspective, there is a step-up to the fair market value of the 49% non-controlling interests acquired, resulting in a difference between the tax base and accounting base. The Group has recognized $2,071,000 (2020: $1,892,000) of deferred tax assets as at 31 December 2021. The remaining deferred tax assets of $3,728,000 (2020: $4,290,000) are not recognized due to uncertainty of its recoverability.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 11. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing profit, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The diluted earnings per share is calculated by dividing profit, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

| | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|
| Profit for the year attributable to owners of the Company | **4,446** | 2,696 |

| | No. of shares<br>'000 | No. of shares<br>'000 |
|---|---|---|
| Weighted average number of ordinary shares for earnings per share computation | **294,238** | 292,427 |
| Effect of dilutions: | | |
| – Contingently issuable performance shares | **617** | 689 |
| Weighted average number of ordinary shares for diluted earnings per share computation | **294,855** | 293,116 |

| | 2021 | 2020 |
|---|---|---|
| **Earnings per share attributable to owners of the Company (cents per share)** | | |
| Basic | **1.51** | 0.92 |
| Diluted | **1.51** | 0.92 |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 12. PLANT AND EQUIPMENT

| Group | Leasehold improvement $'000 | Restoration costs $'000 | Plant and equipment $'000 | Maintenance parts $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At 1 January 2020 | 3,348 | 140 | 9,924 | 23,905 | 193 | 37,510 |
| Additions | 216 | – | 962 | 137 | 66 | 1,381 |
| Transferred to inventories* | – | – | – | (19,617) | – | (19,617) |
| Exchange differences | 43 | – | (140) | (7) | 3 | (101) |
| At 31 December 2020 and 1 January 2021 | 3,607 | 140 | 10,746 | 4,418 | 262 | 19,173 |
| Additions | 78 | – | 340 | – | 16 | 434 |
| Write-off plant and equipment | – | – | (559) | – | – | (559) |
| Exchange differences | 16 | – | 262 | 3 | – | 281 |
| At 31 December 2021 | 3,701 | 140 | 10,789 | 4,421 | 278 | 19,329 |
| **Accumulated depreciation:** | | | | | | |
| At 1 January 2020 | 2,251 | 79 | 7,696 | 14,375 | 104 | 24,505 |
| Depreciation charge for the year | 418 | 58 | 1,302 | 2,046 | 38 | 3,862 |
| Transferred to inventories* | – | – | – | (12,038) | – | (12,038) |
| Exchange differences | 11 | 3 | (114) | (13) | – | (113) |
| At 31 December 2020 and 1 January 2021 | 2,680 | 140 | 8,884 | 4,370 | 142 | 16,216 |
| Depreciation charge for the year | 330 | – | 773 | 20 | 57 | 1,180 |
| Write-off plant and equipment | – | – | (507) | – | – | (507) |
| Exchange differences | 10 | – | 167 | 3 | – | 180 |
| At 31 December 2021 | 3,020 | 140 | 9,317 | 4,393 | 199 | 17,069 |
| **Net book value:** | | | | | | |
| At 31 December 2020 | 927 | – | 1,862 | 48 | 120 | 2,957 |
| At 31 December 2021 | 681 | – | 1,472 | 28 | 79 | 2,260 |

* In the previous financial year, the Group has reclassed the maintenance parts with an aggregate net book value of $9,529,000 to inventories. The reclassification of maintenance parts from plant and equipment to inventories is due to the business decision to hold the maintenance parts for both trading purpose and maintenance contracts.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 12. PLANT AND EQUIPMENT (CONTINUED)

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

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

The depreciation expense is charged under:

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

*Purchase of plant and equipment*

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

*Assets leased out under operating leases*

The carrying amount of plant and equipment of the Group leased out under operating leases as at 31 December 2021 is $62,000 (2020: $60,000).

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 13. LEASES

**As a lessee**

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

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

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

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

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13. **LEASES** (CONTINUED)

**As a lessee** (Continued)

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

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

Lease liabilities are denominated in the following currencies:

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

The following are the amounts recognised in profit or loss:

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13. **LEASES** (CONTINUED)

**As a lessor**

**Operating leases – as lessor**

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

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

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

| | Group | |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Not later than one year | **878** | 1,018 |
| Later than one year and not later than five years | **–** | 2 |
| At 31 December | **878** | 1,020 |

14. **INVESTMENT IN SUBSIDIARIES**

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

| | Company | |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| The movement in impairment loss accounts is as follows: | | |
| At 1 January | **428** | – |
| Impairment loss | **–** | 428 |
| At 31 December | **428** | 428 |

Impairment assessment for investment in subsidiaries

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

**Composition of the Group**

The Group has the following significant investment in subsidiaries.

| Name of subsidiary/ Principal place of business | Principal activities | Percentage of equity held 2021 % | 2020 % |
|---|---|---|---|
| Procurri Singapore Pte. Ltd. ("Procurri Singapore")[(a)] Singapore | Business of supply, rental and maintenance and servicing of computer hardware and peripheral equipment | **100** | 100 |
| Procurri Malaysia Sdn. Bhd. ("Procurri Malaysia")[(c)] Malaysia | Sales of all kinds of computer systems and hardware, provision of maintenance and related services, and rental of computer parts and fully configured servers | **100** | 100 |
| Procurri Asia Pacific Pte. Ltd. ("Procurri Asia Pacific")[(a)] Singapore | Business of supply, rental and maintenance and servicing of computer hardware and peripheral equipment | **100** | 100 |
| ASVIDA UK Limited[(c)] United Kingdom | Investment holding | **100** | 100 |
| Procurri India Private Limited[(c)] India | Business of hardware sales, maintenance and services | **100** | 100 |
| Procurri Canada Limited[(d)] | Sale of IT asset disposal, repair services, data center services, hardware resale and independent maintenance services of computer hardware and peripheral equipment | **100** | 100 |
| Procurri Australia Pty. Ltd.[(d)] | Sale of IT asset disposal, repair services, data center services, hardware resale and independent maintenance services of computer hardware and peripheral equipment | **100** | 100 |
| **Held through Procurri Asia Pacific:** | | | |
| Procurri Beijing Co., Ltd.[(c)] China, Beijing | Repair and maintenance of computer hardware and peripherals, and data processing equipment; computer network and system integration design, installation, commissioning, maintenance, and the provision of technical advice and services; data processing; enterprise management consulting; and wholesale, import and export of computer hardware and peripheral equipment | **100** | 100 |
| **Held through ASVIDA UK Limited:** | | | |
| Procurri LLC[(e)] United States | Business of provision of information technology solutions | **100** | 100 |
| Procurri Europe Limited ("PEL")[(b)] United Kingdom | As an investment holding, engage in the distribution of information technology (IT) spare parts, refurbishment and subsequent sales of second user, reconfigured mid to high end IT equipment in the global market | **100** | 100 |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

**Composition of the Group** (Continued)

| Name of subsidiary/ Principal place of business | Principal activities | Percentage of equity held 2021 % | 2020 % |
|---|---|---|---|
| **Held through PEL:** | | | |
| Procurri GmbH ("PGmbH")[(d)] United Kingdom | Sale and distribution of computer hardware products, maintenance and other services related to IT systems and networks | **100** | 100 |
| **Held through Procurri LLC:** | | | |
| Procurri S. de R.L. de C.V.[(d)] Mexico | Business of provision of information technology solutions | **100** | 100 |
| Rockland Congruity LLC[(e)] United States | Engage in IT hardware and enterprise support by offering independent maintenance and IT support services in the Americas | **100** | 100 |

(a) Audited by Ernst & Young LLP in Singapore

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

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

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

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

**Incorporation of subsidiaries**

(a) Procurri Canada Limited

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

(b) Procurri Australia Pty. Ltd.

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 15. INTANGIBLE ASSETS

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 15. INTANGIBLE ASSETS (CONTINUED)

**Amortization expense**

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

**Goodwill**

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

| | Group | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| PEL[a] | 9,742 | 9,444 |
| Procurri Malaysia[b] | 2,169 | 2,212 |
| | 11,911 | 11,656 |

(a) The recoverable amount was determined based on the value-in-use method. The value in use was measured by management using a discounted cash flow model covering a five-year period (2020: five-year period). Cash flow projections were based on a three-year budget and plans approved by management. This was further extrapolated for a five-year period. Cash flow projections have been extrapolated on the basis at 5.00% to 10.00% (2020: 5.00% to 10.00%) growth rate on revenue. A terminal growth rate of 1.00% (2020: 1.00%) was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 11.4% (2020: 12.5%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognized as the carrying amount of the CGU was lower than its recoverable amount. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable amount.

(b) The recoverable amount was determined based on the value-in-use method. The value in use was measured by management using a discounted cash flow model covering a five-year period (2020: five-year period). Cash flow projections were based on a three-year budget and plans approved by management. This was further extrapolated for a five-year period. Cash flow projections have been extrapolated on the basis at 9.00% to 20.00% (2020: 9.00% to 20.00%) growth rate on revenue. A terminal growth rate of 1.00% (2020: 1.00%) was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 12.9% (2020: 13.3%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. As a result of this analysis, management has recognized an impairment charge of Nil (2020: $350,000) against goodwill associated with the acquisition of Procurri Malaysia. The impairment charge is recorded within the "Other charges" line item in profit or loss as at 31 December 2020.

## 16. FINANCE LEASE RECEIVABLES

| Group | Minimum payments $'000 | Unearned finance income $'000 | Present value $'000 |
|---|---|---|---|
| **31.12.2021** | | | |
| Minimum lease payments receivable: | | | |
| Not later than one year | 550 | (22) | 528 |
| Later than one year and not later than five years | 56 | (6) | 50 |
| | 606 | (28) | 578 |
| **31.12.2020** | | | |
| Minimum lease payments receivable: | | | |
| Not later than one year | 308 | (9) | 299 |
| Later than one year and not later than five years | 218 | (8) | 210 |
| | 526 | (17) | 509 |

The average lease term is one to three years (2020: one to three years). The average effective interest rate is 0.33% to 8.77% (2020: 0.33% to 8.77%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental receipts. The fair value of the finance lease receivables approximates the carrying value.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 17. INVENTORIES

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

## 18. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| **Trade receivables** | | | | |
| – Third parties | **48,601** | 33,499 | – | – |
| Less: Impairment loss | **(1,689)** | (1,716) | – | – |
| | **46,912** | 31,783 | – | – |
| – Amount due from subsidiaries | – | – | **8,510** | 8,627 |
| Total trade receivables, net | **46,912** | 31,783 | **8,510** | 8,627 |
| **Other receivables** | | | | |
| – Third parties | **483** | 301 | – | 2 |
| – GST receivables | **27** | 6 | **13** | 19 |
| – Sales tax receivables | **1,093** | 1,069 | – | – |
| – Advances to staff | **54** | 279 | – | – |
| – Deposit | **1,054** | 655 | **45** | 45 |
| – Amounts due from subsidiaries | – | – | **14,382** | 14,943 |
| – Loans to subsidiaries | – | – | **4,288** | 4,179 |
| – Tax recoverable | **2,814** | 1,482 | – | – |
| | **5,525** | 3,792 | **18,728** | 19,188 |
| Less: Impairment loss | **(1,025)** | (1,011) | – | – |
| Total other receivables, net | **4,500** | 2,781 | **18,728** | 19,188 |
| Total trade and other receivables | **51,412** | 34,564 | **27,238** | 27,815 |
| Add: Cash and bank balances (Note 20) | **29,597** | 32,700 | **4,162** | 4,753 |
| Less: GST receivables | **(27)** | (6) | **(13)** | (19) |
| Less: Sales tax receivables, net | **(68)** | (58) | – | – |
| Less: Tax recoverable | **(2,814)** | (1,482) | – | – |
| Total financial assets carried at amortized cost | **78,100** | 65,718 | **31,387** | 32,549 |

Trade receivables

Trade receivables are non-interest bearing and generally ranges from 30 to 60 days terms. They are recognised at their original invoice accounts which represent their fair values on initial recognition.

Included within trade receivables from third parties are factored receivables of $Nil (2020: $5,886,000) transferred to a factoring bank (Note 23).

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables (Continued)

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

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

Expected credit losses ("ECL")

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

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

Other receivables

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

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

All loans to subsidiaries are denominated in United States Dollars.

## 19. PREPAYMENTS

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 20. CASH AND BANK BALANCES

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

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

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

Cash and bank balances are denominated in the following currencies:

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

## 21. TRADE AND OTHER PAYABLES

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

* Less than $1,000

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 21. TRADE AND OTHER PAYABLES (CONTINUED)

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

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

Trade and other payables are denominated in the following currencies:

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

## 22. DEFERRED INCOME

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

## 23. LOANS AND BORROWINGS

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

<u>Bank loans</u>

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 23. LOANS AND BORROWINGS (CONTINUED)

Trade receivables factoring

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

Line of credit

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

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

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

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

Loans and borrowings are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Singapore Dollars | **2,000** | 4,000 | – | – |
| United States Dollars | **10,057** | 11,503 | – | 1,322 |
| Great Britain Pound | – | 4,767 | – | – |
| Euro | – | 678 | – | – |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 24. PROVISIONS

Provision for reinstatement costs

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| At 1 January and 31 December | **225** | 225 | **65** | 65 |

The provision for reinstatement costs is based on the present value of costs to be incurred to remove leasehold improvement from leased properties. The estimate is based on quotations from external contractors. The remaining lease period will be one year after renewal (2020: two years).

Provision for claims

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

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

## 25. SHARE CAPITAL

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 26. OTHER RESERVES

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

Foreign currency translation reserve

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

Merger reserve

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

Premium on acquisition of non-controlling interest

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 27. SHARE-BASED COMPENSATION

| | Group and Company | |
|---|---|---|
| | 2021 | 2020 |
| | $'000 | $'000 |
| Performance share plan | **84** | 322 |

Procurri PSP

The Group operates a Performance Share Plan (the "Procurri PSP") which was approved pursuant to a written resolution passed by the shareholders on 27 June 2016. The Procurri PSP is administered by the Awards Committee whose members are currently members of the RC.

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

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

(subject to the rules of the Procurri PSP).

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

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

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

| Grant date | Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at beginning of the year | Number of shares which are the subject of the awards granted under the Procurri PSP granted during the year | Number of shares issued pursuant to the awards during the year | Number of shares forfeited/ lapsed pursuant to the awards during the year | Number of shares which are the subject of the awards granted under the Procurri PSP outstanding as at end of the year | Market price per share $ |
|---|---|---|---|---|---|---|
| **2020** | 669,800 | 1,540,500 | 1,131,600 | – | 1,078,700 | 0.2750 |
| **2021** | **1,078,700** | **89,600** | **551,400** | – | **616,900** | **0.2790** |

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

27. **SHARE-BASED COMPENSATION** (CONTINUED)

Performance share plan reserve

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

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

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

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

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

(subject to the rules of the Procurri ESOS).

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 28. RELATED PARTY TRANSACTIONS AND BALANCES

**Compensation of key management personnel**

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

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

## 29. COMMITMENTS

**Operating lease commitments – as lessee**

Operating lease payments are for rentals payable for office and computer equipment, office premises and data centre racks. These leases have an average term of one to six years (2020: one to twelve years).

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

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

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

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

### (a) Credit risk

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### (a) Credit risk (Continued)

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

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

**30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES** (CONTINUED)

**(a) Credit risk** (Continued)

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

Trade and other receivables

The Group provides for lifetime expected credit losses for all trade and other receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2021 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions and expected inflation rates.

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

(i) Singapore

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

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

(ii) Other geographical area

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30. **FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES** (CONTINUED)

(a) **Credit risk** (Continued)

Trade and other receivables (Continued)

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

Credit risk concentration profile

At the end of the reporting period, approximately 15% (2020: 16%) of the Group's trade receivables were due from 3 major customers.

(b) **Liquidity risk**

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

Analysis of financial instruments by remaining contractual maturities

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

| **Group** | **One year or less $'000** | **1 to 5 years $'000** | **Total $'000** |
|---|---|---|---|
| **31.12.2021** | | | |
| **Financial assets:** | | | |
| Trade and other receivables | 48,503 | – | 48,503 |
| Finance lease receivables | 550 | 56 | 606 |
| Cash and bank balances | 29,597 | – | 29,597 |
| Total undiscounted financial assets | 78,650 | 56 | 78,706 |
| **Financial liabilities:** | | | |
| Trade and other payables | 33,942 | – | 33,942 |
| Loans and borrowings | 12,717 | – | 12,717 |
| Lease liabilities | 1,612 | 4,102 | 5,714 |
| Total undiscounted financial liabilities | 48,271 | 4,102 | 52,373 |
| Total net undiscounted financial assets/(liabilities) | 30,379 | (4,046) | 26,233 |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### (b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### (b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

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

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. The Group does not hedge its investment in fixed rate debt securities.

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

| Group | Less than 1 year $'000 | 1 to 5 years $'000 | 5 years or more $'000 | Total $'000 |
|---|---|---|---|---|
| **31.12.2021** | | | | |
| **Fixed rate** | | | | |
| Lease liabilities | **1,531** | **3,896** | **–** | **5,427** |
| Bank loans | **2,000** | **–** | **–** | **2,000** |
| **Floating rate** | | | | |
| Line of credit | **10,057** | **–** | **–** | **10,057** |
| Others | **25** | **–** | **–** | **25** |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### (c) Interest rate risk (Continued)

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

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

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2020: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $175,000 (2020: $210,000) higher/lower, arising mainly as a result lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment, showing a higher significantly volatility as in prior years.

### (d) Foreign currency risk

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

### (d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

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

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

## 31. FAIR VALUE OF ASSETS AND LIABILITIES

### *(a) Fair value hierarchy*

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

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

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

Level 3 – Unobservable inputs for the asset or liability.

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

### *(b) Assets and liabilities measured at fair value*

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

### *(c) Assets and liabilities not measured at fair value, for which fair value is disclosed*

There are no assets and liabilities not measured at fair value at 31 December 2021 and 2020 for which fair value is disclosed.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 31. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

Cash and bank balances (Note 20), trade and other receivables (Note 18), trade and other payables (Note 21), loans and borrowings (Note 23), and lease liabilities (Note 13).

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

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

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

## 32. SEGMENT INFORMATION

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

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

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

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

| | **Hardware, Lifecycle Services and IT Asset Disposition** | | **Third Party Maintenance** | | **Per consolidated financial statements** | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Revenue | **193,450** | 169,421 | **56,178** | 64,046 | **249,628** | 233,467 |
| Cost of sales | **(152,560)** | (134,965) | **(36,570)** | (33,757) | **189,130** | (168,722) |
| Gross profit | **40,890** | 34,456 | **19,608** | 30,289 | **60,948** | 64,745 |

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 32. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

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

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

## 33. CAPITAL MANAGEMENT

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

## 34. CONTINGENCIES

Litigation

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

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

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

## 35. AUTHORISATION OF FINANCIAL STATEMENTS

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

# Statistics of Shareholdings

AS AT 22 MARCH 2022

## SHARE CAPITAL INFORMATION

| | | |
|---|---|---|
| Number of shares | : | 295,589,973 |
| 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 | – | – | – | – |
| 100 – 1,000 | 104 | 14.38 | 90,100 | 0.03 |
| 1,001 – 10,000 | 239 | 33.06 | 1,579,500 | 0.54 |
| 10,001 – 1,000,000 | 363 | 50.21 | 24,900,759 | 8.42 |
| 1,000,001 AND ABOVE | 17 | 2.35 | 269,019,614 | 91.01 |
| **Total** | **723** | **100.00** | **295,589,973** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| No. | Name | Number of shares held | % |
|---|---|---|---|
| 1 | DECLOUT PTE LTD | 63,875,400 | 21.61 |
| 2 | CGS-CIMB SECURITIES (SINGAPORE) PTE LTD | 58,402,978 | 19.76 |
| 3 | OCBC SECURITIES PRIVATE LTD | 46,812,100 | 15.84 |
| 4 | A C T HOLDINGS PTE LTD | 26,917,000 | 9.11 |
| 5 | DBS NOMINEES PTE LTD | 26,798,586 | 9.07 |
| 6 | RAFFLES NOMINEES (PTE) LIMITED | 13,660,122 | 4.62 |
| 7 | HONG LEONG FINANCE NOMINEES PTE LTD | 6,750,000 | 2.28 |
| 8 | SING INVESTMENTS & FINANCE NOMINEES (PTE) LTD | 4,500,000 | 1.52 |
| 9 | MAYBANK SECURITIES PTE. LTD. | 4,017,600 | 1.36 |
| 10 | NG CHUEN GUAN (HUANG JUNYUAN) | 3,990,000 | 1.35 |
| 11 | TAN WEI MENG | 3,781,750 | 1.28 |
| 12 | PHANG CHEE CAN | 2,300,000 | 0.78 |
| 13 | HSBC (SINGAPORE) NOMINEES PTE LTD. | 1,895,391 | 0.64 |
| 14 | PHILLIP SECURITIES PTE LTD | 1,585,100 | 0.54 |
| 15 | CITIBANK NOMINEES SINGAPORE PTE LTD | 1,282,287 | 0.43 |
| 16 | KGI SECURITIES (SINGAPORE) PTE. LTD. | 1,251,300 | 0.42 |
| 17 | OAN CHIM SENG | 1,200,000 | 0.41 |
| 18 | POH BOON KHER MELVIN (FU WENKE MELVIN) | 1,000,000 | 0.34 |
| 19 | ABN AMRO CLEARING BANK N.V. | 820,700 | 0.28 |
| 20 | SOH CHOOI LAI | 701,900 | 0.24 |
| | **Total** | **271,542,214** | **91.88** |

# Statistics of Shareholdings

AS AT 22 MARCH 2022

### SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| Name of substantial shareholders | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| | No. of shares | % | No. of shares | % |
| A.C.T. HOLDINGS PTE LTD[(2)] | 26,917,000 | 9.11 | – | – |
| DECLOUT PTE LTD | 62,375,400 | 21.10 | – | – |
| NTCP SPV VII | 57,402,978 | 19.42 | – | – |
| KOH SWEE YONG | 17,380,600 | 5.88 | | |
| NOVO TELLUS PE FUND 2, L.P.[(1)] | – | – | 57,402,978 | 19.42 |
| TOH BAN LENG JAMES[(3)(4)] | – | – | 84,319,978 | 28.53 |
| LOKE WAI SAN[(10)] | – | – | 57,402,978 | 19.42 |
| KEITH HSIANG-WEN TOH[(5)] | – | – | 57,402,978 | 19.42 |
| KHOO LAY KEE[(6)] | – | – | 84,319,978 | 28.53 |
| SERENE TOH SOO LING[(7)] | – | – | 84,319,978 | 28.53 |
| TOH SOO CHIN MERLENE[(8)] | – | – | 84,319,978 | 28.53 |
| NEW EARTH GROUP 2 LTD[(9)] | – | – | 57,402,978 | 19.42 |

**Notes:**

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

(2) A.C.T. Holdings Pte Ltd ("ACT") is deemed to be interested in the shares of Procurri by virtue of its greater than 20% ownership in NT Fund 2.

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

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

(5) NTCP SPV VII holds a direct interest in the shares in Procurri. NT Fund 2 is deemed interested in the shares in Procurri by virtue of its 100% ownership in NTCP SPV VII. NEG 2 is the general partner (manager) of NT Fund 2, and therefore NEG 2 has an interest in the securities that NT Fund 2 is interested in. Keith Hsiang-Wen Toh is deemed to be interested in the shares of Procurri by virtue of his greater than 20% ownership in NT Fund 2's manager NEG 2.

(6) ACT has both direct and deemed interests in the shares in Procurri. Khoo Lay Kee is deemed to be interested in the shares in Procurri by virtue of her not less than 20% ownership in ACT.

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

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

(9) NTCP SPV VII holds a direct interest in the shares in Procurri. NT Fund 2 is deemed interested in the shares in Procurri by virtue of its 100% ownership in NTCP SPV VII. New Earth Group 2 Ltd ("NEG 2") is the general partner (manager) of NT Fund 2, and therefore NEG 2 has an interest in the securities that NT Fund 2 is interested in.

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

### PUBLIC FLOAT

Based on the information available to the Company as at 22 March 2022, approximately 35.89% of the issued ordinary shares of the Company is held by the public as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the "Listing Rules"). Accordingly the Company has complied with Rule 723 of the Listing Rules.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting ("**AGM**") of Procurri Corporation Limited (the "**Company**") will be held by way of electronic means on 26 April 2022 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 2021 and the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

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

   (a) Mr Ng Loh Ken Peter (Regulation 117) **(Resolution 2a)**

   (b) Dr Lim Puay Koon (Regulation 117) **(Resolution 2b)**

   (c) Mr Lim Swee Yong (Regulation 122) **(Resolution 2c)**

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

   Dr Lim Puay Koon will, upon re-election as a Director of the Company, remain as the Chairman of Remuneration Committee and member of the Audit, Nominating and Strategy Committees, and shall be considered as independent for the purposes of Rule 704(8) of the Listing Manual.

   Mr Lim Swee Yong will, upon election as a Director of the Company, remain as the Non-Executive, Non-Independent Director of the Company and member of the Audit Committee.

   [See Explanatory Note (a)]

3. To approve the payment of Directors' fees of up to S$297,000 for the financial year ending 31 December 2022 (2021: S$259,000). **(Resolution 3)**

   [See Explanatory Note (b)]

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

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

**AS SPECIAL BUSINESS**

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

6. Authority to allot and issue shares

   "That pursuant to Section 161 of the Companies Act, 1967 (the "**Companies Act**") and the Listing Manual, approval be and is hereby given to the directors of the Company (the "**Directors**") to:

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of bonus, rights or otherwise; and/or

# Notice of Annual General Meeting

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

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

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

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

(2) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of passing this resolution, provided the share options or share awards were granted in compliance with the Listing Manual; and

(3) any subsequent bonus issue, consolidation or subdivision of Shares;

(ii) in exercising the authority conferred in this resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST and the Company's Constitution); and

(iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (c)] **(Resolution 5)**

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

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

[See Explanatory Note (d)] **(Resolution 6)**

# Notice of Annual General Meeting

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

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

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

BY ORDER OF THE BOARD

**Lin Moi Heyang**
Company Secretary

11 April 2022

Singapore

**EXPLANATORY NOTES:**

(a) The key information of Mr Ng Loh Ken Peter, Dr Lim Puay Koon and Mr Lim Swee Yong can be found in the "**Board of Directors**" and the "**Board Membership**" sections of the Governance Report of the Annual Report.

(b) The ordinary resolution 3 is to request shareholders' approval for the directors' fees which includes S$30,000 (in share base) for the financial year ending 31 December 2022. In the event the Directors' fees proposed for the financial year ending 31 December 2022 are insufficient (e.g. due to enlarged Board size), approval will be sought at next year's AGM for additional fees to meet the shortfall. If the ordinary resolution 6 is not passed, the directors' fees in share base of S$30,000 would be paid in the form of cash.

(c) The ordinary resolution 5 above, if passed, will empower the Directors from the date of the AGM until the date of the next AGM, or the date by which the AGM is required by law to be held or when varied or revoked by the Company in general meeting, whichever is earlier, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company, of which the total number of Shares and convertible securities issued other than on a pro-rata basis to existing Shareholders shall not exceed 20% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.

(d) The ordinary resolution 6 above, if passed, will empower the Directors to grant share awards under the PSP and to allot and issue Shares in accordance with the PSP.

(e) The ordinary resolution 7 above, if passed, will empower the Directors to grant share options under the ESOS and to allot and issue Shares upon the exercise of such share options in accordance with the ESOS.

# Notice of Annual General Meeting

**Notes:**

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings of Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Notice has been made available on the SGX-ST's as well as the Company's websites at the URLs stated below. A printed copy of this Notice of AGM, Proxy Form and related documents will be despatched to members.

   | | | |
   |---|---|---|
   | SGX's website | : | https://www.sgx.com/securities/company-announcements, |
   | Company's website | : | https://investor.procurri.com/sgx_announcements.html. |

2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM. In order to do so, shareholders must follow these steps:–

   Pre-Registration for "live" audio-visual webcast and "live" audio-only feed

   - Shareholders who wish to watch the "live" audio-visual webcast or listen to the "live" audio-only feed of the AGM must pre-register by **10.00 am on 23 April 2022**, at the URL https://online.meetings.vision/procurri-agm-registration; for the Company to authenticate their status as Shareholders.

   - Authenticated Shareholders will receive email instructions on how to access the "**live**" audio-visual webcast and "live" audio-only feed of the AGM proceedings by **5.00 pm on 24 April 2022**.

   - Shareholders who do not receive an email by **2.00 pm on 24 April 2022**, but have registered by **23 April 2022** deadline, may contact Tricor Barbinder Share Registration Services at SG.IS.Enquiry@sg.tricorglobal.com or 62363550/3555.

   - Investors who hold Shares through depository agents (as defined in Section 81SF of the Securities and Futures Act, 2001) and wish to watch the "live" audio-visual webcast or listen to the "live" audio-only feed of the AGM must approach their respective depository agents to pre-register by **5.00 pm on 14 April 2022** in order to allow sufficient time for their respective depository agents to in turn pre-register their interest with the Company.

   Submission of questions in advance

   - All questions must be submitted by **10.00 am on 18 April 2022**:

     - in hard copy by post to reach the Company at 29 Tai Seng Avenue, #01- 01, Natural Cool Lifestyle Hub, Singapore 534119; or

     - by email to IR@procurri.com.

   - Shareholders submitting questions by post or email should **download, complete and sign the prescribed question form** from the Company's website at the URL https://investor.procurri.com/sgx_announcements.html, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above. Questions submitted by post are sent at the shareholder's own risk. **All questions must be received by the Company by the time and date stated above to be treated as valid.**

   - The Company will endeavour to address all substantial and relevant questions received from Shareholders prior to the AGM via SGXNET and on its corporate website or during the AGM through the "live" audio-visual webcast and "live" audio-only feed.

   - The Company will, within one month after the date of the AGM, publish the minutes of the AGM on SGXNET and the Company's website, and the minutes will include the responses to the questions referred to above.

   - Please note that Shareholders will not be able to ask questions at the AGM during the "live" audio-visual webcast and the "**live**" audio-only feed, and therefore it is important for Shareholders to submit their questions by the above stipulated deadline.

3. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM, if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying proxy form for the AGM may be accessed at the SGX-ST's as well as the Company's websites at the URLs as provided above.**

4. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

5. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 pm on 14 April 2022**, being 7 working days before the date of the AGM.

# Notice of Annual General Meeting

6. The Chairman of the AGM will be exercising his right under Regulation 71(2)(a) of the Constitution of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the AGM and at any adjournment thereof. Accordingly, each resolution at the AGM will be voted on by way of poll.

7. The Chairman of the AGM, as proxy, need not be a member of the Company. The instrument appointing the Chairman of the AGM a proxy must be submitted in the following manner:

   a. if submitted by post, be lodged with the Company's Share Registrar at 80 Robinson Road #11-02 Singapore 068898; or

   b. if submitted electronically, via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com,

   in either case, by **10.00 a.m. on 23 April 2022**, being no later than 72 hours before the time fixed for the AGM.

   A member who wishes to submit an instrument of proxy can do so via post or email and must first download, complete and sign the proxy form, before either submitting it by post to the address provided above, or by scanning and sending it by email to the email address provided above. Instruments of proxy submitted by post are sent at the member's own risk. **All instruments of proxy must be received by the Company by the time and date stated above to be treated as valid.**

   **In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for shareholders to submit completed proxy forms by post, the Company strongly encourages shareholders to submit completed proxy forms electronically via email.**

8. The Company's Annual Report for the financial year ended 31 December 2021 ("FY2021 Annual Report") has been published on the Company's website at the URL https://investor.procurri.com/sgx_announcements.html.

   Shareholders who wish to obtain a printed copy of the FY2021 Annual Report can do so by downloading, completing and signing the Request Form from the Company's website at the URL https://investor.procurri.com/sgx_announcements.html.

   The Request Form must be submitted to the Company by **10.00 a.m. on 16 April 2022**:
   - in hard copy by post to reach the Company's Share Registrar at 80 Robinson Road, #11- 02, Singapore 068898; or
   - by email sent to Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com.

   Requests submitted by post are sent at the shareholder's own risk.

9. As the COVID-19 situation continues to evolve, the Company may be required to change its arrangements for the AGM at short notice. Shareholders should check the Company's website at the URL stated above for the latest updates on the status of the AGM.

10. The Company thanks all members for their understanding and cooperation to enable the Company to hold the AGM in line with appropriate safe distancing measures amidst the COVID-19 pandemic.

**PERSONAL DATA PRIVACY**

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

## PROCURRI CORPORATION LIMITED

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

## PROXY FORM

**IMPORTANT**

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice of AGM has been made available on the SGX-ST's website at the URL https://www.sgx.com/securities/company-announcements and the Company's website at the URL https://investor.procurri.com/sgx_announcements.html. A printed copy of the Notice of AGM, this Proxy Form and related documents will be despatched to members.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 11 April 2022. This announcement may be accessed at the Company's website at the URL https://investor.procurri.com/sgx_announcements.html and will also be made available at the SGX-ST's website at the URL https://www.sgx.com/securities/company-announcements.
3. **Due to the current Covid-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM, if such member wishes to exercise his/her/its voting rights at the AGM.** A copy of this proxy form for the AGM may also be accessed at the Company's website at the URL https://investor.procurri.com/sgx_announcements.html, and will also be made available on the SGX-ST's website at the URL https://www.sgx.com/securities/company-announcements.
4. This Proxy Form is not valid for use by such CPF or SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 pm on 14 April 2022**.
5. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 7 April 2022.
6. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____________________________________________________________ (Address)
being a member/members of PROCURRI CORPORATION LIMITED (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting ("**AGM**") as my/our proxy to attend, speak and vote or abstain for me/us on my/our behalf at the AGM of the Company to be convened and held by way of electronic means on **26 April 2022 at 10.00 a.m.** and at any adjournment thereof in the following manner:

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against or abstain from voting on the Resolutions as set out in the Notice of AGM.)

**NOTE: The Chairman of the AGM will be exercising his right under Regulation 71(2)(a) of the Constitution of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the AGM and at any adjournment thereof. Accordingly, each resolution at the AGM will be voted on by way of a poll.**

| NO. | RESOLUTIONS RELATING TO: | FOR | AGAINST | ABSTAIN |
|---|---|---|---|---|
| | **Ordinary Business** | | | |
| 1. | Audited Financial Statements of the Company for the financial year ended 31 December 2021 and the Directors' Statement and the Auditors' Report thereon | | | |
| 2a. | Re-election of Mr Ng Loh Ken Peter | | | |
| 2b. | Re-election of Dr Lim Puay Koon | | | |
| 2c. | Election of Mr Lim Swee Yong | | | |
| 3. | Payment of Directors' fees of up to S$297,000 for the financial year ending 31 December 2022 | | | |
| 4. | Re-appointment of Messrs Ernst & Young LLP as auditors of the Company | | | |
| | **Special Business** | | | |
| 5. | Authority to allot and issue shares | | | |
| 6. | Authority to grant share awards, allot and issue shares under the PSP | | | |
| 7. | Authority to grant share options, allot and issue shares under the ESOS | | | |

Dated this __________ day of ____________________ 2022

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

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

**IMPORTANT:** Please read notes overleaf

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 2001 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. Due to the current Covid-19 restrictions orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM, if such member wishes to exercise his/her/its voting rights at the AGM. A copy of this proxy form may also be accessed at the Company's website at the URL https://investor.procurri.com/sgx_announcements.html, and will also be made available on the SGX-ST's website at the URL https://www.sgx.com/securities/company-announcements.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the AGM as proxy must be submitted in the following manner:

   (a) if submitted by post, be lodged with the Company's Share Registrar at 80 Robinson Road #11-02 Singapore 068898; or

   (b) if submitted electronically, via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com,

   in either case, by **10.00 a.m. on 23 April 2022**, being no later than 72 hours before the time fixed for the AGM.

   A member who wishes to submit an instrument of proxy can do so via post or email and must first download, print, complete and sign the proxy form, before either submitting it by post to the address provided above, or by scanning and sending it to the email address provided above. Instruments of proxy submitted by post are sent at the member's own risk. **All instruments of proxy must be received by the Company by the time and date stated above to be treated as valid.**

   **In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult for shareholders to submit completed proxy forms by post, the Company strongly encourages shareholders to submit completed proxy forms electronically via email.**

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member 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 Section 179 of the Companies Act.

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 whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such members are not shown to have shares entered against their names in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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# Corporate Information

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

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

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

**Ng Loh Ken Peter**
Lead Independent Director

**Wong Quee Quee, Jeffrey**
Independent Director

**Dr. Lim Puay Koon**
Independent Director

**Loke Wai San**
Non-Independent,
Non-executive Director

**Lim Swee Yong**
(appointed on 9 November 2021)
Non-Independent,
Non-executive Director

**Toh Hsiang – Wen Keith**
(appointed on 1 June 2021)
Alternate Director to Loke Wai San

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

**REMUNERATION COMMITTEE**
**Dr. Lim Puay Koon** (Chairman)
Wong Quee Quee, Jeffrey
Loke Wai San

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

**STRATEGY COMMITTEE**
**Thomas Sean Murphy** (Chairman)
Dr. Lim Puay Koon
Loke Wai San

**COMPANY SECRETARY**
**Lin Moi Heyang**

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

**INDEPENDENT AUDITORS**
**Ernst & Young LLP**
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Tee Huey Yenn
(with effect from financial year ended
31 December 2021)

**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

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)

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

**www.procurri.com**



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