

DECLOUT LIMITED
(Incorporated in the Republic of Singapore on 21 August 2010)
(Registration No. 201017764W)

PROPOSED ACQUISITION OF 75% INTERESTS IN PLAY-E PTE. LTD.

1. INTRODUCTION

The board of directors (the "**Directors**" or the "**Board**") of DeClout Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company and its 94.8% subsidiary, Corous360 Pte Ltd ("**C360**" or the "**Purchaser**") had, on 2 November 2015, entered into a sale and purchase agreement (the "**Agreement**") with Jupiter-Soft Pte. Ltd. (the "**Vendor**") and Sng Kim Guan (the "**Guarantor**"), pursuant to which C360 will acquire 150,750 ordinary shares in the capital of Play-E Pte. Ltd. (the "**Target**") (the "**Sale Shares**"), representing 75% of the issued and paid-up share capital of the Target from the Vendor (the "**Proposed Acquisition**") on the terms and subject to the conditions of the Agreement.

2. INFORMATION ON THE TARGET

The Target was incorporated in Singapore on 18 May 2015 (Company Registration Number 201523435W). As at the date of this announcement, the Target has an issued and paid-up share capital of S\$201,000 comprising 201,000 ordinary shares. The Target is primarily engaged in the business of providing electronic commerce platform for game distributors.

Based on the unaudited management accounts of the Target for the period from 18 May 2015 (date of incorporation) to 31 October 2015, the net profit before tax of the Target was approximately US\$600 (or S\$840 based on an exchange rate of US\$1.00 to S\$1.40) and the net tangible assets value of the Target as at 31 October 2015 was approximately US\$9,700 (or S\$13,600 based on an exchange rate of US\$1.00 to S\$1.40). No independent valuation was conducted on the Target.

The following are the shareholding structures of the Target, immediately before and after the Proposed Acquisition:

	Before the Proposed Acquisition	After the Proposed Acquisition
Jupiter-Soft Pte. Ltd. (the Vendor)	100.0%	25.0%
C360	-	75.0%
Total	100.0%	100.0%

The sole director of the Target is the Guarantor. The Vendor is a Singapore-incorporated company solely owned by the Guarantor, a veteran entrepreneur and founder of a gaming retail chain, Funz Centre Pte Ltd. The Guarantor has more than 10 years of experience in retailing, marketing and distribution of game software, game devices and game related merchandise, toys and any other related consumer products (the "**Products**"). None of the Vendor nor the Guarantor is related to the

Directors, chief executive officer or controlling shareholders of the Company and their respective associates.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Purchase consideration

The aggregate consideration for the Proposed Acquisition is up to S\$18,862,501 (the "**Purchase Consideration**"). The Purchase Consideration is to be satisfied by the following:

- (a) S\$1 to be paid in cash to the Vendor upon completion of the Proposed Acquisition ("**Completion**"); and
- (b) a refundable prepayment to the Vendor amounting to S\$18,862,500 to be satisfied by:
 - (i) the allotment and issuance of 24,000,000 new ordinary shares in the capital of the Company ("**Shares**") at an issue price of S\$0.20 per share (the "**DeClout Consideration Shares**") to the Vendor and/or its permitted nominees; and
 - (ii) the allotment and issuance of 1,250,000¹ new ordinary shares in the capital of the Purchaser² at an issue price of S\$11.25 per share (the "**C360 Consideration Shares**").

The refundable prepayment of S\$18,862,500 shall be refundable to the Purchaser in the event that the Target fails to meet all of the following targets ("**KPIs**") for the financial year ending 31 December 2016 ("**FY2016**"):

- (a) audited consolidated net tangible assets of the Target and its subsidiaries of at least S\$8 million as at 31 December 2016; and
- (b) 1 million users to be registered with the Target's electronic commerce platform as verified by C360, as at 31 December 2016.

If the Target fails to meet the KPIs, the Vendor shall: (i) refund to the Purchaser S\$4,800,000 in cash; and (ii) either transfer the C360 Consideration Shares to the Purchaser for cancellation through capital reduction, or transfer the C360 Consideration Shares at cost to the Company, at the sole discretion of the Company.

¹ The C360 Consideration Shares represent approximately (i) 25.93% of the existing issued and paid-up share capital of the Purchaser as at the date of this announcement; and (ii) 20.59% of the enlarged issued and paid-up share capital of the Purchaser upon Completion (assuming no further new ordinary shares in the capital of the Purchaser are issued upon Completion).

² The audited consolidated net profit before tax of C360 amounted to approximately S\$0.5 million for the financial year ended 31 December 2014 ("**FY2014**"), representing approximately 13.7% of the audited consolidated net profit before tax of the Group for FY2014. Accordingly, C360 is not considered a "principal subsidiary" of the Group pursuant to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").

The Purchase Consideration was determined based on arm's length negotiations between the Purchaser and the Vendor, and arrived at on a willing buyer, willing seller basis, after taking into account, *inter alia*, the growth potential of the Target.

3.2 Allotment and issuance of the DeClout Consideration Shares

The issue price of S\$0.20 per DeClout Consideration Share represents a premium of approximately 1.88% to the volume weighted average price of S\$0.1963 of the Shares for trades done on the SGX-ST for the full market day on 2 November 2015 (being the market date on which the Agreement was signed).

The DeClout Consideration Shares represent approximately (i) 5.06% of the existing issued and paid-up share capital of the Company as at the date of this announcement; and (ii) 4.01% of the enlarged issued and paid-up share capital of the Company upon Completion (assuming no further new Shares are issued prior to Completion).

The DeClout Consideration Shares will be allotted and issued pursuant to the general share issue mandate ("**2015 Share Issue Mandate**") granted by shareholders of the Company ("**Shareholders**") at the annual general meeting of the Company held on 28 April 2015 (the "**2015 AGM**") for the issue of new Shares and/or convertible securities not exceeding 100% of the total number of issued Shares (excluding treasury Shares), of which the aggregate number of new Shares and convertible securities of the Company to be issued other than on a pro-rata basis to all existing Shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury Shares).

As at the date of the 2015 AGM, the total number of issued Shares (excluding treasury Shares) was 455,100,030. Accordingly, the Company could issue up to 455,100,030 new Shares on a pro-rata basis and up to 227,550,015 new Shares on a non pro-rata basis under the 2015 Share Issue Mandate. As at the date of this announcement, the Company has issued 18,750,000 new Shares on a non pro-rata basis pursuant to the 2015 Share Issue Mandate. As announced by the Company on 22 October 2015 and 24 October 2015, the Company will be making applications to the SGX-ST via the sponsor of the Company, Canaccord Genuity Singapore Pte. Ltd. ("**Sponsor**"), for the listing of and quotation for an aggregate of 63,000,000 new Shares³ on Catalist of the SGX-ST ("**Catalist**") in due course. Currently, the Company does not have existing warrants or other convertibles. Accordingly, the proposed allotment and issuance of the DeClout Consideration Shares falls within the limit of the 2015 Share Issue Mandate.

The DeClout Consideration Shares, when allotted and issued, shall be credited as fully paid for, free and clear of all encumbrances and shall rank *pari passu* in all respects with the existing issued Shares, save for any dividends, rights, allotments or any distribution, the record date of which falls before the date of issue of the DeClout Consideration Shares.

³ Refers to the (i) 45,500,000 new Shares to be issued by the Company pursuant to a supplemental agreement in respect of the joint venture agreement dated 18 September 2014, as announced on 22 October 2015; and (ii) 17,500,000 new Shares to be issued by the Company pursuant to a placement agreement dated 23 October 2014, as announced on 24 October 2015. Please refer to the Company's announcements for further details.

The Company will be making an application to the SGX-ST via the Sponsor for the listing of and quotation for the DeClout Consideration Shares on Catalist in due course. The Company will make the relevant announcement upon receipt of the listing and quotation notice from the SGX-ST.

3.3 Conditions precedent

Pursuant to the Agreement, the Proposed Acquisition is conditional upon, *inter alia*, the fulfilment or waiver of the following terms and conditions (the “**Conditions Precedent**”):

- (a) the completion by the Purchaser and/or its representatives of a due diligence exercise over the legal, business, affairs, operations, assets and liabilities, financial condition, prospects and records of the Target, and the results of such due diligence exercise being satisfactory to the Purchaser in its sole and absolute discretion;
- (b) the receipt by the Purchaser of such waivers or consents as may be necessary to enable the Purchaser and/or its nominee(s) to be registered as holder of any and all of the Sale Shares, and if such waivers or consents are subject to any conditions, such conditions being satisfactory to the Purchaser;
- (c) all other consents, approvals and permits (if any) required from any third party or under any and all applicable laws or pursuant to rules or regulations of any relevant governmental or regulatory body for the sale of the Sale Shares being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked;
- (d) the Vendor’s representations, warranties and undertakings to the Purchaser and the Company remaining true, accurate and not misleading in any respect on or before Completion;
- (e) the Vendor having performed all of the undertakings and agreements required to be performed or caused to be performed by it under the Agreement on or before Completion; and
- (f) there being no litigation, winding up (whether initiated by creditors or otherwise), judicial management, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened by or against or remaining outstanding against the Company, which could have a material adverse effect on the Company.

The Proposed Acquisition has been completed as of the date hereof, and the Target is now a 75% subsidiary of C360.

3.4 Other salient terms of the Agreement

Pursuant to the Agreement, the Vendor irrevocably and absolutely assigns to:

- (a) the Purchaser, any and all rights, including but not limited to, voting and dividend rights, in respect of, derived from or arising from, all of its shareholding in the Target up until 31 December 2018; and
- (b) the Company, any and all rights, including but not limited to, voting and dividend rights, in respect of, derived from or arising from all of its shareholding in the Purchaser up until 31 December 2018.

In addition, the Guarantor guarantees to the Purchaser the due and punctual performance, observance and discharge by the Vendor of all the guaranteed obligations under the Agreement if and when they become performable or due under the Agreement.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The rationale for the Proposed Acquisition includes the following:

(a) Significant boost to C360 revenues and profitability

Through the Target's retail alliance partnership, C360 will benefit from the Target's multiple potential revenue streams including (i) sale of Products through mobile applications and physical stores of the Target's retail partners; (ii) platform fees from the Target's retail partners; (iii) advertising fees from content providers; and (iv) membership fees from consumers.

(b) Complementary to C360's Businesses

The C360 group of companies has master distributorship rights to leading products in the region. By combining such master distributorship rights with the retail alliance partnership of the Target, C360 has the opportunity to control both the upstream and downstream of the vertical market by leveraging on its master distributorship status to secure leading products through a platform comprising a mobile application and a network of retail outlet partners in Singapore, Hong Kong, and Taiwan (collectively, the "**Platform**") which will attract premium users to join the Platform. The increase in the number of premium users in the Platform will in turn put C360 in a better position to secure distributorship rights to even more leading products for its businesses.

The Board considers the Proposed Acquisition to be in the interest of and is beneficial to the Group and the Shareholders.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The financial effects of the Proposed Acquisition are for illustration purposes only and do not reflect the actual future financial position of the Group after Completion.

The pro forma financial effects have been computed based on (a) the audited consolidated accounts of the Group for FY2014; (b) the unaudited management accounts of the Target for the period from 18 May 2015 (date of incorporation) to 31 October 2015; (c) all the KPIs are met; and (d) the expenses incurred in relation to the Proposed Acquisition are negligible.

For the avoidance of doubt, such pro forma financial effects do not take into account (i) any corporate actions announced and undertaken by the Group subsequent to 1 January 2015; and (ii) any issuance of new Shares subsequent to 1 January 2015.

5.1 Net tangible assets ("NTA") per Share

Assuming that the Proposed Acquisition had been completed on 31 December 2014, the effect of the Proposed Acquisition on the Group's NTA per Share as at 31 December 2014 would have been as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA ⁽¹⁾ of the Group (S\$ '000)	27,897	35,897
Number of Shares ('000)	334,841	358,841
NTA ⁽¹⁾ per Share (S\$ cents)	8.33	10.00

Note:

- (1) NTA means total assets less the sum of total liabilities, non-controlling interest and intangible assets (net of non-controlling interest).

5.2 Earnings per Share ("EPS")

Assuming that the Proposed Acquisition had been completed on 1 January 2014, the effect of the Proposed Acquisition on the EPS for FY2014 would have been as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to Shareholders of the Company for FY2014 (S\$ '000)	1,708	8,708
Weighted average number of Shares ('000)	318,489	342,489
EPS (S\$ cents)	0.54	2.54

5.3 Gearing

There is no material impact on the gearing ratio of the Group and the Company arising from the Proposed Acquisition.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated accounts of the Group for the six months financial period ended 30 June 2015 ("HY2015"), and the unaudited management accounts of the Target for the period from 18 May 2015 (date of incorporation) to 31 October 2015, the relative figures for the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases	Relative figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable

Rule 1006	Bases	Relative figures (%)
(b)	Net profits attributable to the assets acquired compared with the Group's net profits ⁽¹⁾	0%
(c)	Aggregate value of the Purchase Consideration, compared with the Company's market capitalisation ⁽²⁾	20.3%
(d)	Number of equity securities issued as consideration for the Proposed Acquisition, compared with the number of equity securities previously issued ⁽³⁾	5.1%
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

- (1) The Group's profit before tax for HY2015 was approximately S\$1.66 million. The Target's profit before tax for the period from 18 May 2015 (date of incorporation) to 31 October 2015 was approximately US\$600 (or S\$840 based on an exchange rate of US\$1.00 to S\$1.40).
- (2) The Company's market capitalisation of approximately S\$93.1 million was computed based on the Company's existing issued and paid-up share capital of 474,367,530 Shares as at the date of this announcement and the volume weighted average price of S\$0.1963 per Share on 2 November 2015, being the market day preceding the date of the Agreement (being 2 November 2015).
- (3) Based on 24,000,000 DeClout Consideration Shares to be issued for the Proposed Acquisition and the Company's existing issued and paid-up share capital of 474,367,530 Shares as at the date of this announcement.

Having regard to the above, as the relative figures computed on the bases set out in Rule 1006 of the Catalyst Rules exceed 5% but do not exceed 75%, the Proposed Acquisition constitutes a "discloseable transaction" under Rule 1010 of the Catalyst Rules.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and their respective associates has any interest, direct or indirect, in the Proposed Acquisition (other than through their respective shareholding interests in the Company, if any).

The Directors have not received any notification of interest in the Proposed Acquisition from any controlling shareholders of the Company, and are not aware of any controlling shareholders of the Company who has any interest, direct or indirect, in the Proposed Acquisition (other than through their respective shareholding interests in the Company).

8. SERVICE CONTRACTS

No person is proposed to be appointed as a Director in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement will be made available for inspection during normal business hours at the registered office of the Company at 29 Tai Seng Avenue, #05-01 Natural Cool Lifestyle Hub, Singapore (534119) for a period of three (3) months from the date of this announcement.

11. ANNOUNCEMENTS

Further announcements on the Proposed Acquisition will be made in due course as and when appropriate.

BY ORDER OF THE BOARD
DECLOUT LIMITED

Wong Kok Khun
Chairman and Group Chief Executive Officer
3 November 2015

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms. Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #2 1-02 Singapore (068896), telephone: (65) 6854-6160.