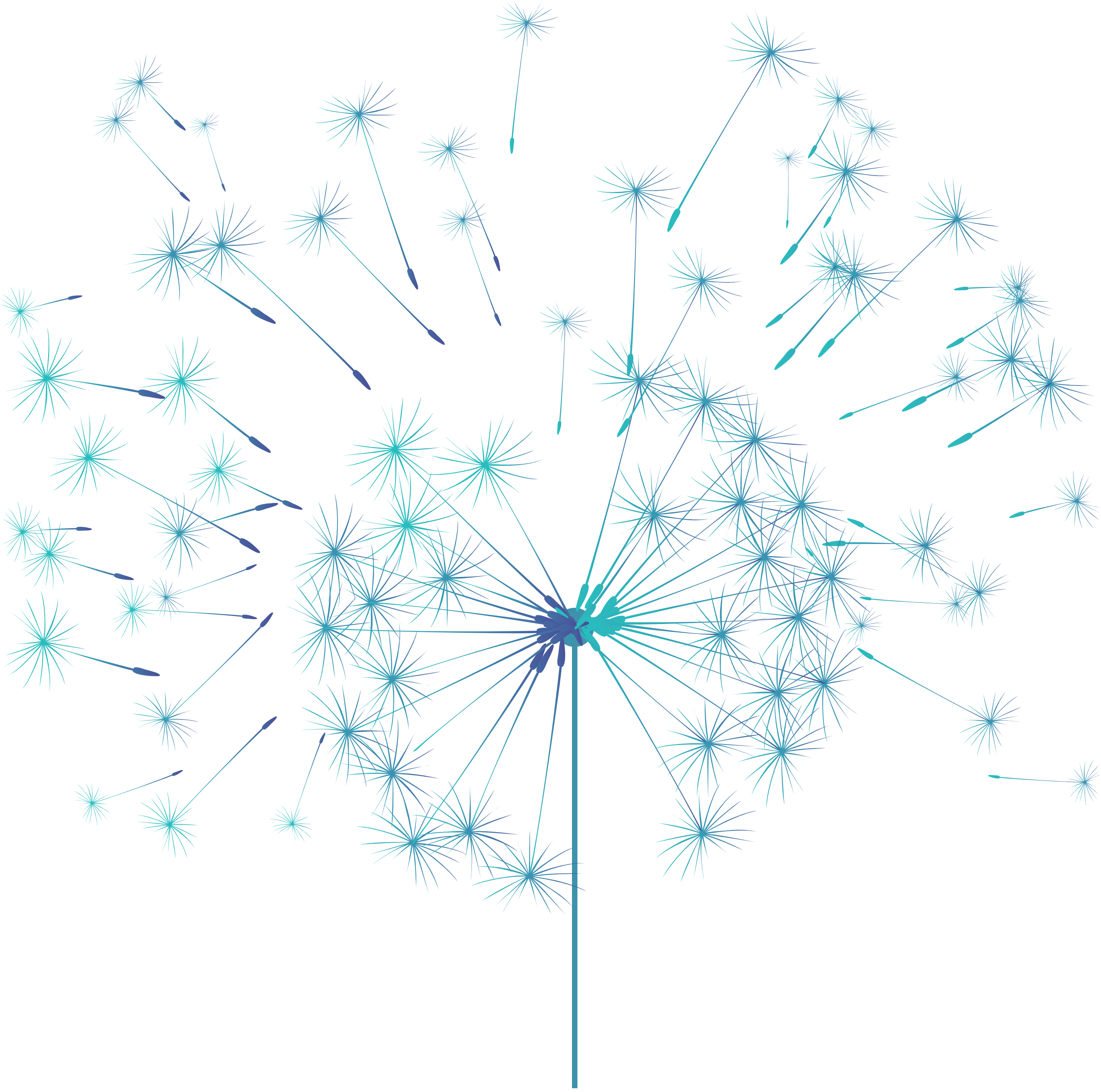

REAPING OUR HARVESTS

ANNUAL REPORT 2016

decloud

the future is present

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We invest, incubate, scale and harvest companies to be global or regional champions.

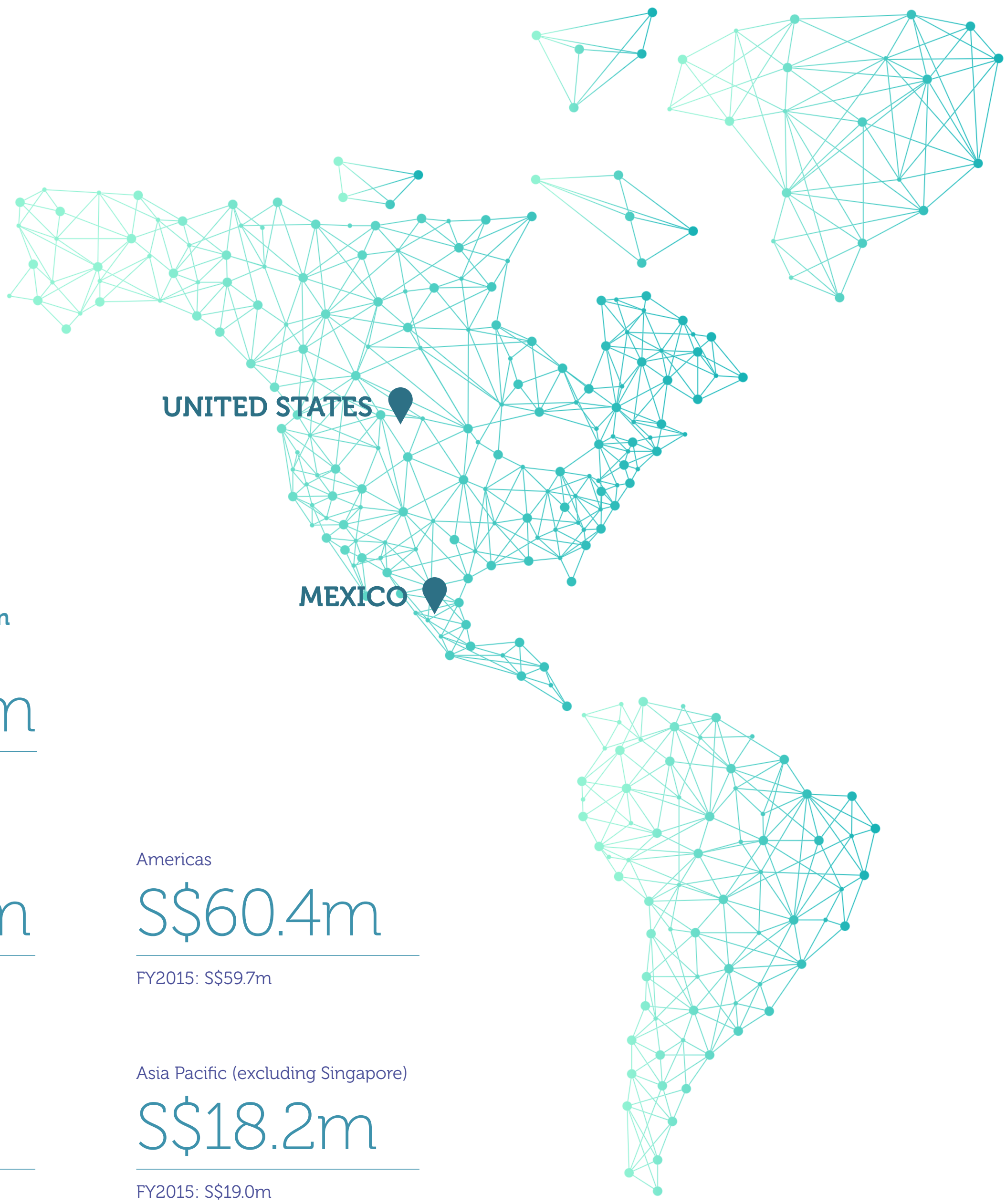
DeClout is a global builder of next-generation Information and Communications Technologies (ICT) companies. The Group has built an exceptional track record of identifying disruptive trends and re-inventing business models to differentiate our value proposition. From market seeding to the transformation of existing businesses to creating new growth platforms, we actively steward the growth of our portfolio companies through their various stages of development.

Our business strategy is a combination of transformative innovation, acquisitive growth and active integration to achieve strong market leadership, unparalleled synergies and operational efficiencies.

At DeClout,
the future is always the present.

Our Global Presence

Headquartered in Singapore, the Group has a vast network of offices in countries and territories throughout Asia Pacific, the Americas, Europe and Africa.



Performance by Region

Total FY2016 Revenue

S$304.0m

FY2015: S$279.5m

Singapore

S$188.0m

FY2015: S$159.0m

Americas

S$60.4m

FY2015: S$59.7m

Europe

S$37.4m

FY2015: S$41.7m

Asia Pacific (excluding Singapore)

S$18.2m

FY2015: S$19.0m

557 employees

100 countries support coverage

21 offices

Significant Events

JAN '16

Our subsidiary, Beaqon Pte. Ltd. acquired 75% interest in a local security company, TJ Systems (S) Pte. Ltd.

MAY '16

Awarded S$10 million under the National Research Foundation Singapore's Early Stage Venture Fund scheme to invest in technology start-ups based in Singapore, in the areas of fintech, cyber security, big data analytics and smart logistics

JUN '16

Entered into agreement to increase stake in vCargo Cloud Pte. Ltd. from 30% to 50.01%

NOV '16

Incorporated DeClout Investments Pte. Ltd. to spearhead investments in disruptive start-ups and develop the local start-up ecosystem

NOV '16

Our subsidiary, Procurri, through its subsidiary, acquired 100% of EAF Supply Chain Holdings Limited in the U.K.

DEC '16

Announced Group's inaugural reward to shareholders via a off-market share buy-back scheme

JAN '17

Our subsidiary, Procurri, through its indirect subsidiary, formed a 51:49 joint venture with Congruity LLC to form Rockland Congruity LLC in the U.S.

JUL '16

Procurri Corporation Limited ("Procurri") debuted its S$156 million listing on the SGX-ST Mainboard, marking DeClout's first harvest. The IPO was 1.9 times subscribed and was the first technology IPO and non-REIT IPO in 2016.

JUL '16

Acquired 75% interest in PLAYe Hong Kong Limited

OCT '16

Announced the divestment of Acclivis Technologies and Solutions Pte Ltd. ("Acclivis") for up to S$75 million to CITIC Telecom Group, marking DeClout's second harvest in 2016

AUG '16

Awarded first corporate undergraduate scholarship with International Enterprise (IE) Singapore to groom the next generation of global business leaders in Singapore

Our Two Business Segments

Our portfolio companies are grouped within two key business segments: **IT Infrastructure Sales and Services ("IT Infra")** which form the building blocks of all technology and marketplace companies, and **Vertical Domain Clouds ("VDC")** – domain-focused platforms and communities with network-effects that redefine business and lifestyle trends.

To date, we have successfully incubated enterprises that are aggregators, enablers or eco-system builders that disrupt the marketplace. With an emphasis on operations and execution as the core drivers of value, we have the ability to rapidly scale our companies and generate attractive returns to our shareholders.

IT Infrastructure Sales and Services

PROCURRI
IT Distribution & Lifecycle Services

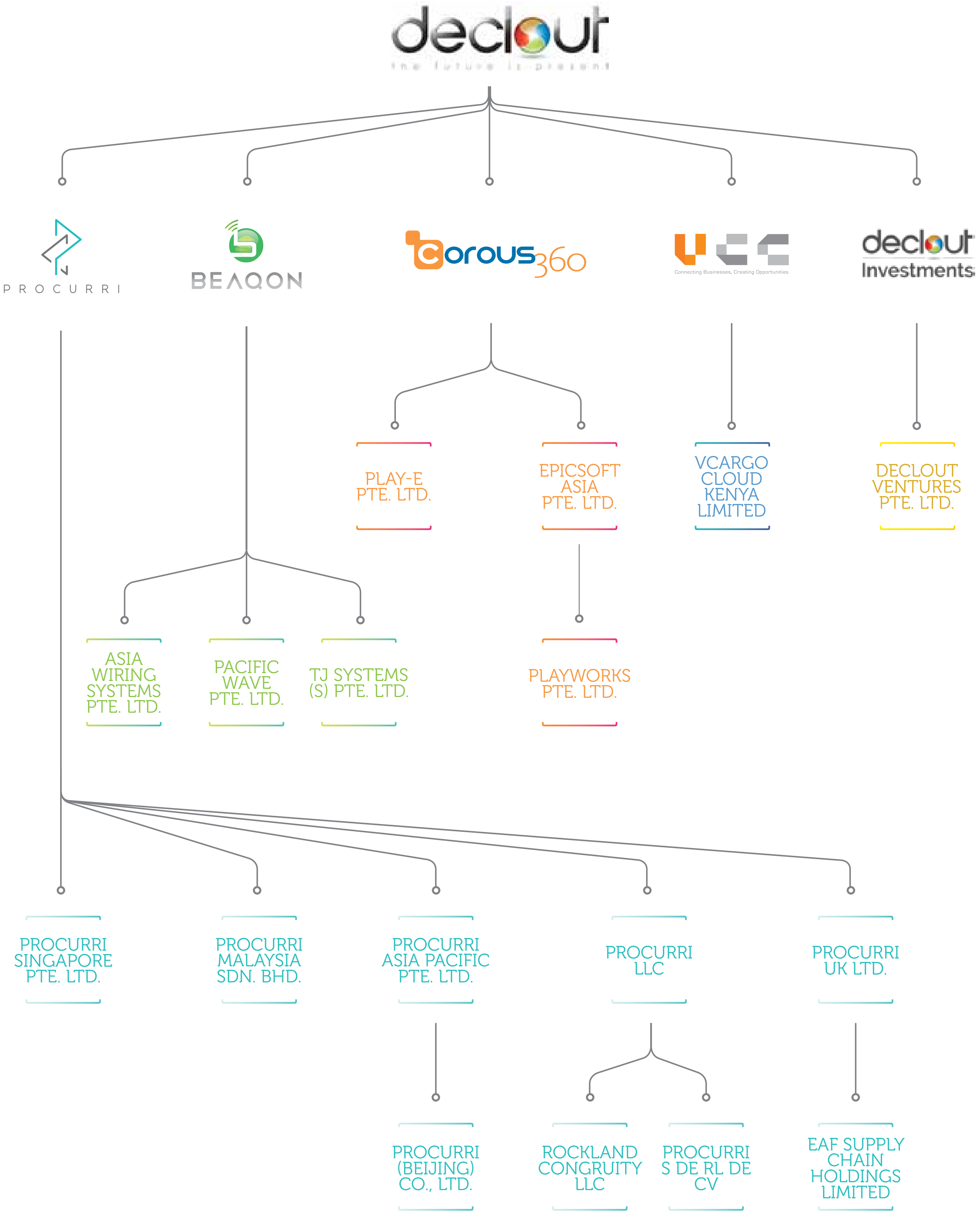
BEAQON
Telecommunications, Network and Security Solutions

Vertical Domain Clouds

COROUS360
E-Commerce Solutions

VCARGO CLOUD
E-trade and E-logistics

Corporate Structure

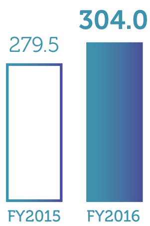


Note

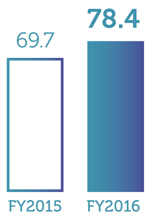
* Please refer to Note 13 of the Financial Statements set out in this annual report for information on the complete list of subsidiaries and equity interests held by DeClout Limited in each of its subsidiaries.

FY2016 Financial Highlights

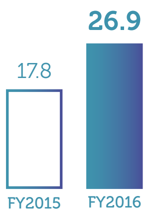
REVENUE
(S$ Million)
+ 8.8%



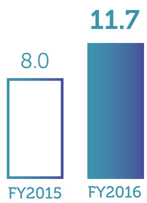
GROSS PROFIT
(S$ Million)
+ 12.5%



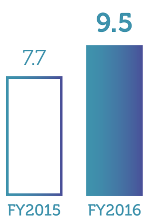
EBITDA
(S$ Million)
+ 51.1%



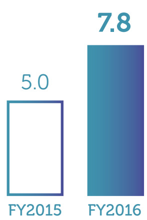
PROFIT BEFORE TAX
(S$ Million)
+ 46.8%



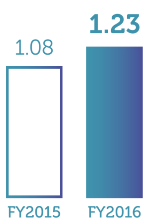
PROFIT AFTER TAX
(S$ Million)
+ 23.4%



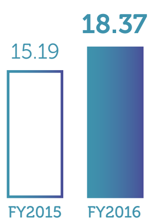
PATMI
(S$ Million)
+ 55.8%



BASIC EARNINGS PER SHARE
(Cents)
+ 13.9%

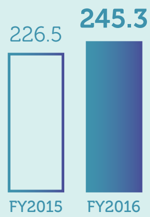


NET ASSET VALUE PER SHARE
(Cents)
+20.9%

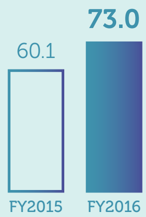


IT INFRA SEGMENT
(S$ Million)

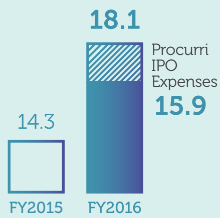
REVENUE
+ 8.3%



GROSS PROFIT
+ 21.3%

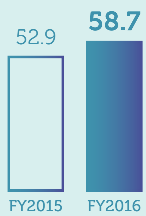


PROFIT BEFORE TAX
+ 11.4%

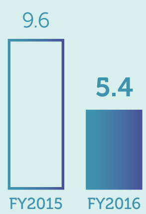


VDC SEGMENT
(S$ Million)

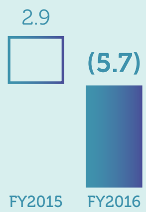
REVENUE
+ 10.9%



GROSS PROFIT
- 43.3%



PROFIT BEFORE TAX
n.m.



Financial Performance Summary

S($'000)	FY2012	FY2013	FY2014	FY2015	FY2016
Statement of Income					
Revenue	53,118	72,895	157,009	279,466	304,022
Gross Profit	15,367	18,923	41,566	69,697	78,382
Profit before tax	270	800	3,645	7,960	11,686
Profit, net of tax attributable to owners of the Company	480	1,940	1,708	4,978	7,758
Statement of Financial Position					
Total assets	45,071	60,237	159,900	219,898	284,422
Total liabilities	21,960	22,607	100,416	116,361	118,304
Total equity	23,111	37,630	59,484	103,537	166,118
Total loans and borrowings	5,926	9,691	34,469	57,355	50,495
Number of ordinary shares issued	204,508	306,762	334,841	538,618	671,269
Financial Indicators					
Revenue growth (%)	N/A	37.2	115.4	78.0	8.8
Profit before tax margin (%)	0.5	1.1	2.3	2.8	3.8
Current ratio	1.43	2.08	1.27	1.36	1.85
Gearing ratio	0.26	0.26	0.58	0.55	0.30
Net asset value per ordinary share as at 31 December (cents)	11.30	11.83	14.03	15.19	18.37
Based on profit, net of tax attributable to owners of the Company					
Net profit margin (%)	0.9	2.7	1.1	1.8	2.6
Return on equity (%)	2.1	5.2	2.9	4.8	4.7
Basic earnings per share (cents)	0.27	0.82	0.54	1.08	1.23

Chairman and Group CEO's Message

//
FY2016 was a defining and monumental year for the Group. We successfully spun off two businesses within our IT Infrastructure Sales and Services ("IT Infra") segment.
//

DEAR SHAREHOLDERS

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

A MONUMENTAL YEAR

FY2016 was a defining and monumental year for the Group. We successfully spun off two businesses within our IT Infra segment: the S$156 million listing of Procurri on the SGX-ST Mainboard in July 2016 – a historic first for a Catalist-company to spin off a subsidiary on the SGX-ST Mainboard, and the completion of our divestment of Acclivis to the CITIC Telecom Group for up to S$75 million in November 2016. It was a year where we brought our invest-to-harvest strategy to life, demonstrating our ability to execute and monetise our businesses for successful exits.

FY2016 was a year where the businesses we have been working so hard to build up in the last few years have actually started to deliver the results that we wanted although there is still much more work to be done. It was a year where we delivered on our promise to reward our shareholders through an inaugural off-market share buy-back scheme. And more importantly, it was also a year where we cemented our vision and belief that a local company, like us, can create world-class enterprises to compete on the global and regional stage.

The success of Procurri and Acclivis bears testimony to our track record. Today, more than any time in our history, we are proud to be one of the large local enterprises to aggregate a cluster of start-ups, incubate and scale them into global and regional champions. In a short span of 5 years since our listing, we have built a valuable portfolio for the Group, realised our vision of creating a home-grown enterprise at the forefront of disruption, and one where it is led by a management team that is mostly Singaporeans. Of course, we still have some way to go but our achievements have reminded us of one thing: we are finally in control of our own destiny.

IT INFRASTRUCTURE SALES AND SERVICES: OUR RECURRING INCOME PILLAR

The strong performance of our IT Infra segment has shown that our aggressive M&A strategy since 2013 has started to pay off handsomely. Within our portfolio, this segment, which is traditionally viewed as less exciting and less disruptive, remains our core bread and butter. It is a segment that continues to make sense for the Group as it provides a stable and steady source of recurring income. It is my belief that the market has not fully appreciated and recognised the changes that we have made to the business, and that investors have not accorded the segment the value that we think it deserves. Being a company that is non-dividend yielding at this point in time and in the near-term, my goal is to ensure that we go back to the fundamentals and continue to scale this segment so as to create the predictability and yield that our investors seek.

To this end, we have identified Beaqon, our telecommunications, network infrastructure and security arm, as our next growth driver following the divestment of Acclivis. Aligned with the Singapore government's push towards a Smart Nation, our neighbours' efforts in building smart and sustainable cities as well as the whole digitisation era, Beaqon is extremely well-positioned to benefit from these sweeping changes and ride on the macro trends at play to be an end-to-end Information and Communications Technology market leader.

Already, we have seen proof of this in the last year as Beaqon clinched major contracts in the build-out of new data centres in Singapore, secured key network infrastructure projects from the major regional telecommunications players and won high-value security projects in both the public and private sectors. In the longer term, the integration of technologies such as the Internet of Things, Big Data and Cloud, along with the need for increased security to mitigate cyber threats, will create stronger demand and relevance for Beaqon's solutions.

In the year ahead, our more immediate task is to mould Beaqon to be a dominant regional market leader to fill the gap left by Acclivis, and work towards preparing the ground for the Group's next potential harvest.

VERTICAL DOMAIN CLOUDS: THE DISRUPTORS OF TOMORROW

As we super-charge the growth of our IT Infra segment, we will continue to re-invest and dedicate more resources into growing our Vertical Domain Clouds ("VDC") segment which we believe holds the greatest potential for market disruption. Each of our VDC business groups owns a unique business model or a proprietary technology that has its competitive edge whilst providing new fountains of innovation for the Group. While their traction has been encouraging so far, it will be some time before this segment can ramp up to scale and contribute meaningfully to our bottom line.

Within the Corous360 group, our online-mobile-offline ("OMO") e-commerce platform, PLAYe, continues to garner momentum in Asia, with its retail footprint extending to 19 stores in Singapore and 2 stores in Hong Kong. Our games distribution network has also expanded during the year to cover 7 countries across Asia, revolutionising the way consumers buy games in the region.

Meanwhile, our mass market payment solutions continue to serve us well and are slowly morphing into a fintech player. Our successes on both fronts have given us the impetus to re-evaluate and reset Corous360's trajectory. To this end, we are contemplating a potential reorganisation exercise to give PLAYe and the fintech verticals a much bigger platform to pursue their own destiny, and one where their results will be more meaningful to the Group in the longer-term.

As international trade routes open with the One Belt, One Road initiative, trade barriers across the world are gradually dissolving. Approximately US$4.0 trillion worth

Chairman and Group CEO's Message

// As we maintain our high-growth trajectory, my goal is to ensure the Group's consistent performance and sustainability, and that the business continues to be properly executed. //

of trade was conducted with China in 2015, according to data from the World Trade Organisation ("WTO"). In the same year, the burgeoning ASEAN region saw total trade surge to US$1.6 trillion, with Singapore contributing to US$647.3 billion worth of trade alone.

vCargo Cloud, one of our most ambitious inceptions to date, is poised to capture these massive opportunities. Earmarked as our next growth pillar, vCargo Cloud sits at the strategic intersection and choke point of global cross-border trade, with its infrastructure forming the foundation of e-trade facilitation.

Already, it is well-plugged into the Singapore government's National Trade Platform, a new trade management system that enables electronic data sharing, changing the way trade is digitally facilitated between governments-to-governments, businesses-to-businesses and businesses-to-governments. Based on publicly available data, we believe that vCargo Cloud has an estimated 9% market share[1] as at end February 2017 based on trade declarations facilitated through our platform. The business is also very much aligned and in sync with the government's plans to internationalise enterprises to leverage on the digital economy initiatives mooted. Closer to home, vCargo Cloud could potentially serve the ASEAN Single Window to capture the opportunities in Southeast Asia.

In February 2017, we also opened an office in Kenya to tap into the nascent opportunities of the Northern and Central Trade Corridors in East Africa where the WTO estimated a total trade of US$49.3 billion in 2015 in the East African Community ("EAC") countries. The Northern Corridor is the transport corridor linking the landlocked countries of Uganda, Rwanda and Burundi with Kenya's maritime port of Mombasa, while the Central Corridor connects the same community to Tanzania's maritime port of Dar es Salaam. It serves the Eastern part of the Democratic Republic of Congo, Southern Sudan and Northern Tanzania and connects all the five countries of the EAC and beyond.

In March 2017, vCargo Cloud made inroads into the EAC and secured a major Single Customs Territory ("SCT") project comprising the integration of 5 customs revenue authorities across Kenya, Uganda, Rwanda, Tanzania and Burundi, to provide seamless information exchange and swift process integration across the countries. Essentially, the SCT project has launched us right into the heart of trade in East Africa and will give us the leverage to move into other global hubs that are currently doing business with the community.

Beyond Africa, we have also set our sights on other fast-growing regions such as Central Asia, another untapped market worth US$249.5 billion according to WTO estimates in 2015. During the year, we made significant headway with key multilaterals such as the Asian Development Bank who has awarded us with a proof-of-concept project similar to the nature of the SCT project to facilitate trade in Azerbaijan, Kazakhstan and Georgia. All these developments put us in a good position to develop a niche in a specific vertical within the global

Note

1 Based on the average monthly trade permit count facilitated through our platform (annualised) as compared with the publicly available data on total TradeNet permits issued for FY2015 released by the Singapore Customs.

e-freight and e-trade arena, and to groom vCargo Cloud to become the next global success story of the Group after Procurri.

DECLOUT INVESTMENTS – NEXT-GENERATION BUSINESS ACCELERATOR

As we maintain our high-growth trajectory, my goal is to ensure the Group's consistent performance and sustainability, and that the business continues to be properly executed.

Over the years, we have proven our ability to spot technology trends, incubate and scale companies and bring them to harvest. Today, we see an unprecedented boom in the number of start-ups in Singapore as well as increased interest from the venture capital industry to fund these start-ups' business plans. We see this as an excellent opportunity for us to apply our skillsets such as business modelling, deal-making, incubation, go-to-market strategies and fund-raising, towards creating a next-generation business accelerator which can value add to the start-ups we work with as well as potentially contribute to DeClout's performance in the longer term.

To this end, the Group has incorporated DeClout Investments, which aims to create a two-tier platform comprising Incubation and Fund Raising Facilitation for start-ups and other growth enterprises. For the Incubation tier, we aim to transfer our knowledge through mentorship and leverage our business networks and domain expertise to super-charge the growth of such enterprises. For the Fund Raising Facilitation tier, we aim to work on multiple initiatives to allow such enterprises greater access to all forms of financing and investments. The first such initiative is our joint venture with the National Research Foundation ("NRF").

In May 2016, we were awarded a S$10 million fund by the NRF to co-invest in local promising start-ups with a focus on fintech, cyber security, smart logistics and big data analytics. The fund leverages on our proven management expertise and ecosystem reach to play an important enabling role in assisting early-stage technology companies. We believe that the value of DeClout Investments can be enhanced through a combination of strategic partnerships with like-minded corporates or individuals and embarking on innovative business models which differ from those of traditional funds or incubators.

GIVING BACK TO OUR COMMUNITY

In the spirit of nurturing and giving back, the Group has collected more than S$40,000 in support of Club Rainbow, a local charity that supports chronically ill children and their families. We continue to hold a strong belief that as we prosper, so must society especially those who are under-privileged. Giving back is amongst the most important and valuable things we can do as a local organisation and we will continue to do more of that in the coming year.

We have also, in the course of the year, partnered with International Enterprise Singapore ("IE Singapore") to award the Group's first corporate scholarship to a local Singapore Management University undergraduate to groom talents with the right aptitude to take on an international portfolio. At the same time, the scholarship is aligned with the Group's objectives of discovering and developing new local talent, and thinking ahead for our future needs. In 2017, we will continue to work with IE Singapore and give out more scholarships.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my sincere appreciation to our shareholders who have been instrumental in our success over the past years. Your enduring support and belief in our long-term vision has enabled us to strive hard to deliver a strong set of results and ultimately, enhance shareholder value.

I would also like to express my heartfelt gratitude to the management team, colleagues and business partners for their hard work and dedication this past year. I look forward to charting and crossing new milestones together in the year ahead.

VESMOND WONG KOK KHUN
CHAIRMAN AND
GROUP CHIEF EXECUTIVE OFFICER
DeClout Limited

Business Review

IT Infrastructure Sales and Services

PROCURRI

BEAQON

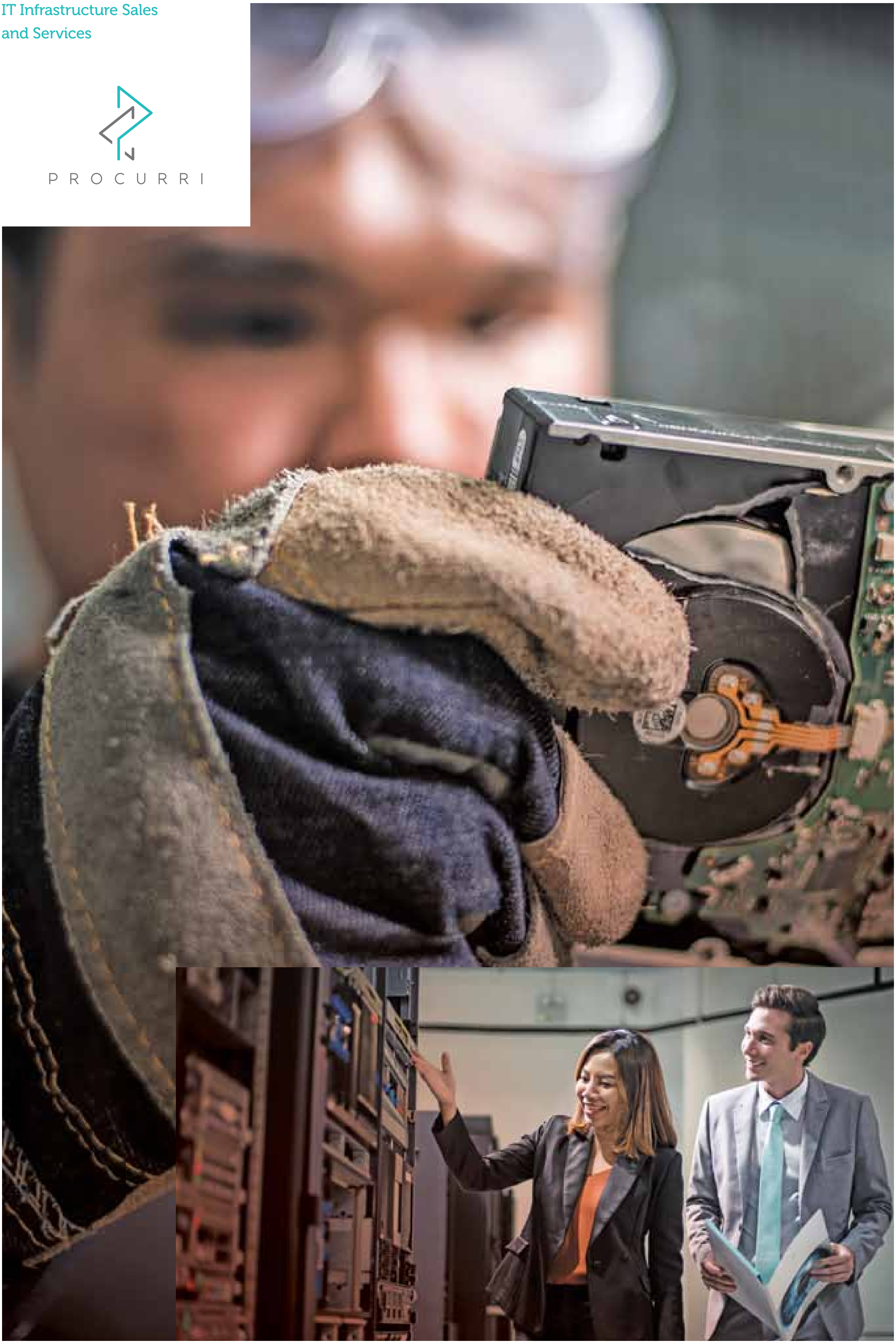
Vertical Domain Clouds

Connecting Businesses. Creating Opportunities

BUSINESS REVIEW:

IT Infrastructure Sales and Services

PROCURRI



To further fuel its global expansion plans in the Lifecycle Services segment, Procurri announced a joint venture agreement with Congruity LLC in January 2017 to offer independent maintenance and IT support services in the Americas.

LISTING OF PROCURRI ON SGX-ST MAINBOARD

On 20 July 2016, Procurri was successfully spun off on the SGX-ST Mainboard with a market capitalisation of S$156 million at its initial public offering ("IPO"). Procurri's listing has given it increased access to the global capital markets and the ability to fast-track its global mergers and acquisitions strategy.

Backed by solid growth in its Lifecycle Services segment, Procurri's revenue grew 10.5% year-on-year ("yoy") to S$135.8 million for FY2016. Correspondingly, gross profit increased 10.6% yoy to S$46.0 million while its gross profit margin remained stable at 33.9%. Driven by stronger sales, Procurri reported a 10.2% surge in EBITDA (excluding IPO expenses) to S$15.0 million while reporting a net profit amounting S$7.3 million (before IPO expenses).

BOLSTERING ITS LIFECYCLE SERVICES SEGMENT

As part of Procurri's strategy to strengthen its Lifecycle Services segment which yields attractive margins with greater income visibility and resiliency, it acquired EAF Supply Chain Holdings Limited ("EAF") in the United Kingdom for £1.5 million in November 2016, its first acquisition post-listing. The acquisition strategically fits into Procurri's independent maintenance services offering. As a long-standing supplier for Procurri UK's maintenance services needs, this acquisition also allows Procurri UK to improve its service response time and extend its service coverage through the addition of EAF's 3 offices in the UK, 55 stock locations and more than 2,000 collect and drop-off points across Europe, and benefit from the EAF Group's list of reputable customers, which includes global IT companies and resellers such as HP, IBM, Dell and Fujitsu.

To further fuel its global expansion plans in the Lifecycle Services segment, Procurri announced a joint venture agreement with Congruity LLC in January 2017 to offer independent maintenance and IT support services in the Americas. This strategic partnership will combine Congruity's leading position in the independent maintenance services space with Procurri's extensive hardware offerings, bolstering its recurring income stream.

In the longer-term, the goal is to ramp up this segment until it contributes to at least half of the total revenue of Procurri – its "Strategy Complete" stage that supports sustainable and predictable future growth.

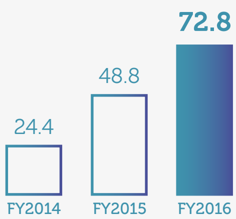
To this end, Procurri is growing its IT Asset Disposition ("ITAD") business to augment other verticals within the Lifecycle Services segment. In 2016, Procurri inked two significant accounts with two major Original Equipment Manufacturers ("OEM") partners, providing ITAD services for enterprise systems and high-volume low-cost products. Going forward, Procurri intends to extend its ITAD coverage to countries such as Malaysia and India. In addition, Procurri will look to expand its suite of ITAD services to possibly include on-site data erasure and sanitisation services for mobile devices.

IT Infrastructure Sales and Services

3 Year Financial Performance

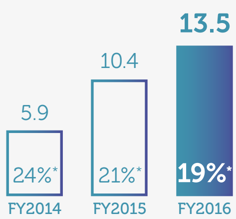
REVENUE
(S$ Million)

+ 49%



GROSS PROFIT
(S$ Million)

+ 30%



* Gross Profit Margin (%)

STRENGTHENING ITS ICT CAPABILITIES

Beaqon continued its high-growth trajectory in 2016 by expanding its offerings and strengthening its foothold as a regional ICT powerhouse.

Building on the momentum created from the acquisition and integration of TJ Systems in January 2016, Beaqon's revenue surged 49% yoy to S$72.8 million for FY2016. In tandem with the growth in revenue, gross profit increased 30% yoy to S$13.5 million while gross profit margin remained stable at 19%. EBITDA jumped 69% yoy to S$5.9 million and overall, net profit after tax increased 23% yoy to S$3.2 million.

On the security front, we were awarded a turnkey commercial contract in April 2016 from Star Cruises to provide X-ray and walk-through metal detectors for its Genting Dream vessel. Additionally, in December 2016, we were awarded an integrated security system contract for GlaxoSmithKline's Asia headquarters at Rochester Park. Our state-of-the-art security management systems will be installed within their 6-storey premises which span 15,000 square metres and house 1,000 employees. This project is expected to be completed by the second quarter of 2017.

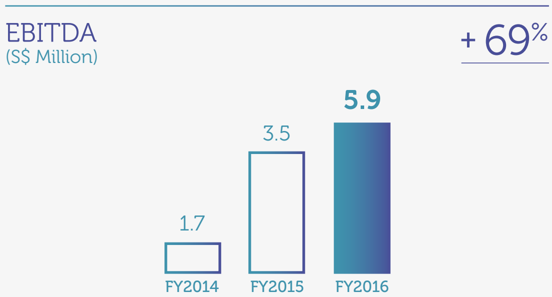
We continue to provide the first line of defence for the government and its agencies. A notable win during the year was the award by Tuas Checkpoint to provide communications and security infrastructure such as our X-ray Scanning System to deliver reliable means of detecting and intercepting prohibited materials such as explosives, narcotics, weapons, contrabands and other abnormalities hidden in automobiles. We were also awarded a security contract by a Singapore national defence research and development organisation. Completed during the last quarter of FY2016, this multi-million contract involved the supply and installation of a state-of-the-art security system for a new eight-storey building housing over 1,300 scientists and engineers.

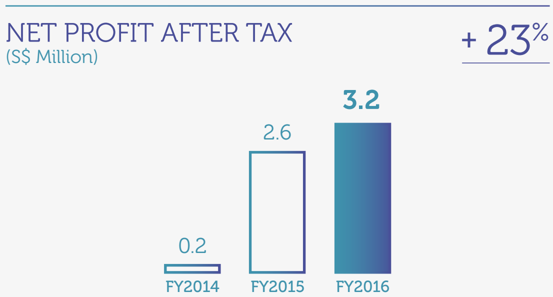
Under the product distribution arm, we continued to gain a larger slice of the market share as we leverage on our experience and expertise in data centre and network infrastructure. During the year, notable wins included the fit-out projects of the Telin, Keppel and Equinix data centres as well as assisting major telecommunications providers in the supply and installation of key network infrastructure.

SCALING FOR HARVEST

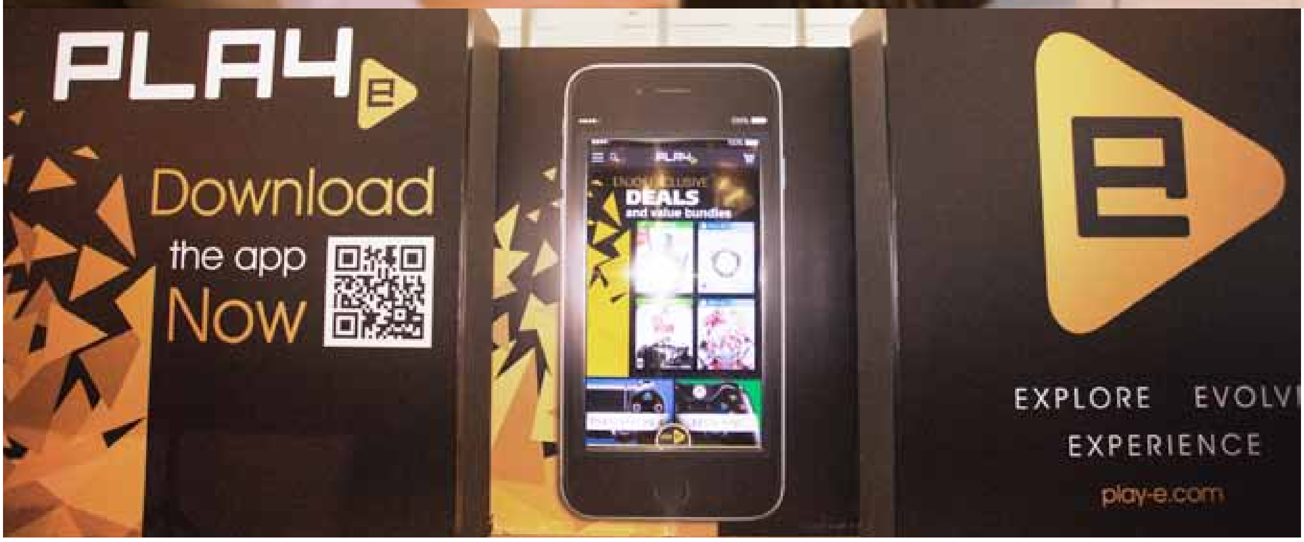
In line with our strategy to scale our IT Infra segment, we will continue to explore synergistic mergers and acquisitions that propel Beaqon up the value chain and broaden its client profile to serve new telecommunications entrants and more multinational companies across the region.

Our overarching goal is simple: to prepare Beaqon for harvest and generate more attractive returns for our shareholders.





Vertical Domain Clouds



PLAYe is a one-stop platform for gamers and hobbyists to purchase anything from blockbuster gaming titles to collectibles and merchandise.

TRANSFORMING THE WAY CONSUMERS BUY GAMES AND COLLECTIBLES

The Corous360 group continued to garner momentum in the development of PLAYe, its online-mobile-offline ("OMO") e-commerce platform. PLAYe is a one-stop platform for gamers and hobbyists to purchase anything from blockbuster gaming titles to collectibles and merchandise. Its integrated OMO e-commerce solutions are available 24/7, allowing consumers to browse, purchase and communicate with a concierge, changing the way games are bought in Asia. Backed by wide delivery channels that offer same day delivery, this unique omni-channel has brought true convenience and a unique user experience to our customers.

PLAYe has grown its retail footprint to 19 stores in Singapore and 2 stores in Hong Kong, and is expanding its OMO footprint in Taiwan. Through targeted multi-channel marketing campaigns, we saw our user base increase exponentially over the course of the year. From 7,700 registered users as at 31 December 2015, the number of users on our platform grew to over 1 million as at 31 December 2016, a 135-fold increase. Approximately S$4.0 million in gross merchandise value passes through our platform per month and the average revenue per paying user hovered around S$252 in 2016. Going forward, PLAYe will be enhancing its platform to include an ever-growing portfolio of digital goods (e.g. digital game codes, top-up codes, gift cards) that are in demand. Customer profiling will continue to be a cornerstone for the business as in-store interaction and the analysis of customer purchase behaviour complement the Group's online and offline growth strategies.

In 2016, our games distribution network covers 7 countries across Asia. In the year ahead, we have earmarked Hong Kong and Taiwan as key markets to aggressively scale and expand our retail presence and distribution network in the region. As the gaming industry evolves at a relentless pace, we remain ahead of the competition by leveraging our deep understanding of gamer behaviour and trends to focus only on securing top performing and high potential content from all over the world.

Connecting Businesses. Creating Opportunities

Many government bodies and commercial organisations are now using vCargo Cloud's e-freight and e-trade platform to comply with international standards, optimise workflow, improve business and cost efficiencies in their cross-border trade.

GAINING MARKET SHARE IN SINGAPORE

In recognition of vCargo Cloud's potential to disrupt the logistics and trade facilitation industry, the Group stepped up our investment in this subsidiary in July 2016 to hold a 50.01% stake in this group.

In the last year, vCargo Cloud has gone from strength to strength in the Business-To-Business ("B2B"), Business-To-Government ("B2G") and Government-to-Government ("G2G") spaces. Many government bodies and commercial organisations are now using vCargo Cloud's e-freight and e-trade platform to comply with international standards, optimise workflow, improve business and cost efficiencies in their cross-border trade.

An intelligent, open and extensible digital platform that integrates trade processes and exchange trade-related information in the B2B, B2G and G2G spaces, this platform connects to leading freight-forwarders as well as importers and exporters in Singapore. It is built in accordance to the International Air Transport Association (IATA) and the Singapore Customs' standards and serves as the underlying platform to connect to Singapore's National Trade Platform (NTP).

In Singapore, where over 9.0 million permits are processed with S$980.0 billion[1] worth of goods moved annually, vCargo Cloud has deployed its e-trade platform and has gained about 9% of the local market share to date.

EXPANSION INTO AFRICA AND CENTRAL ASIA

Outside of Singapore, in 2016, vCargo Cloud has also deployed its e-freight platform to Mauritius. In February 2017, we also opened an office in Kenya to tap into the nascent opportunities of the Northern and Central Trade Corridors in the East Africa Community ("EAC") countries. So far, we have made inroads into the EAC and secured a major Single Customs Territory ("SCT") project comprising the integration of 5 customs revenue authorities across Kenya, Uganda, Rwanda, Tanzania and Burundi, to provide seamless information exchange and swift process integration across the countries.

Beyond Africa, we have also made significant headway in Central Asia with key multilaterals such as the Asian Development Bank who has awarded us with a proof-of-concept project similar to the nature of the SCT project to facilitate trade in Azerbaijan, Kazakhstan and Georgia.

In an industry ripe for change with the inefficiencies of a paper-based system, vCargo Cloud is well-positioned to transform cross-border trade and to revolutionise the global supply chain industry.

Note

[1] Source: Singapore Customs

Board of Directors

VESMOND WONG KOK KHUN

CHAIRMAN AND
GROUP CHIEF EXECUTIVE OFFICER
DeClout Limited

Age
51

Date of First Appointment as a Director
1 February 2011

Date of Last Re-election as a Director
28 April 2016

Length of Service as a Director as at 1 April 2017
6 years 11 months

Board Committee(s) Served On
Nil

Academic & Professional Qualification(s)
Diploma in Electronics and Communication
Singapore Polytechnic

Present Directorships as at 1 April 2017
Other Listed Companies
Procurri Corporation Limited

Other Principal Commitments
Nil

Past Directorship in listed companies held over the preceding 3 years from 1 January 2014 to 31 March 2017
Nil

Vesmond Wong joined as Group CEO on 1 April 2011. He is responsible for the strategic planning, overall management and business development of the Group.

As a serial entrepreneur, Mr Wong has founded and managed a few technology companies over the span of his 20 years' career, and is well-known for his ability to spot industry trends ahead of disruption, and his ability to monetise ventures for successful exits. His recent successes include taking Procurri Corporation Limited to a S$156 million IPO on the SGX-ST Mainboard in July 2016, and the up to S$75 million sale of Acclivis Technologies and Solutions Pte. Ltd to CITIC Telecom Group in October 2016.

In the venture capital space, Mr Wong is an Investment Committee Member of the DeClout-National Research Foundation Early Stage Venture Capital Fund III where he selects disruptive companies that are synergistic to DeClout's business for investment and mentorship.

In 2016, he also sat on the Sub-Committee on Future Economy (CFE) chaired by the Ministry of Trade and Industry, where he played an active role in shaping the future of the IT landscape in Singapore and charting its growth and innovation in its next 5-10 years.

Prior to DeClout, Mr Wong founded Cavu Corp Pte. Ltd. ("Cavu Corp"), a leading IT infrastructure service provider that offered a full range of enterprise solutions in April 2000. At Cavu Corp, he led his team from introducing the utility-on-demand business model for hardware, to setting up the largest leading independent maintenance outfit in Southeast Asia and building a major refurbished hardware depot in Asia.

Mr Wong was also responsible for establishing the business of Vanda Systems (Singapore) Pte. Ltd. ("Vanda Systems"), a wholly-owned subsidiary of a Hong Kong listed company in April 1995. He was instrumental in setting up Vanda Systems as the Southeast Asia regional headquarters. He was the Country General Manager for Vanda Systems since its inception till early 2000.

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

Age
45

Date of First Appointment as a Director
1 January 2015

Date of Last Re-election as a Director
28 April 2015

Length of Service as a Director as at 1 April 2017
2 years 3 months

Board Committee(s) Served On
Nil

Academic & Professional Qualification(s)
Master of Business Administration
Birmingham Business School

Bachelor of Science
National University of Singapore

Present Directorships as at 1 April 2017
Other Listed Companies
Nil

Other Principal Commitments
Nil

Past Directorship in listed companies held over the preceding 3 years from 1 January 2014 to 31 March 2017
Nil

KOW YA

EXECUTIVE DIRECTOR
DeClout Limited

Kow Ya is the Executive Director of DeClout Limited, and was appointed to the Board on 1 January 2015. Backed by more than 20 years of experience in sales, business development and management in the IT industry, she is responsible for synergising the business operations of DeClout's subsidiaries to achieve optimal corporate effectiveness and efficiency. She also oversees the strategic function of corporate communications at DeClout, building strong brand equity.

Prior to this, Ms Kow has played a pivotal role in charting the development and growth of Procurri, growing the Asia Pacific support coverage to more than 17 countries regionally. She has also laid a firm foundation for the business to continue to grow and scale to greater heights, in particular, the globalisation of Procurri.

Before joining the Group, Ms Kow was the General Manager of Centia Pte Ltd. (a subsidiary of Cavu Corp) and was responsible for spearheading and driving the financial performance of the company. She first began her career at HP Singapore.

Ms Kow obtained a Bachelor in Science from the National University of Singapore, and a Master in Business Administration from the Birmingham Business School.

Board of Directors

CHERYL TAN

EXECUTIVE DIRECTOR (FINANCE)
DeClout Limited

Cheryl Tan is the Executive Director, Finance of DeClout Limited, and was appointed to the Board on 18 July 2016. She is responsible for providing leadership to the Group's financial management and driving its strategic plans including investments, mergers and acquisitions ("M&A"), joint ventures and other corporate initiatives for the Group.

Ms Tan started her career with companies in the financial services and food and beverage sectors and has over 20 years of experience in financial management with regional exposure. Prior to joining the Group, she was with Kestrel Capital Pte Ltd as Senior Vice President, Finance, leading a team in executing corporate finance and M&A activities and monitoring the performance of multiple investment portfolios. She was also the Chief Financial Officer for Cavu Corp, a leading IT Infrastructure provider, and Rowsley Limited, a SGX-ST listed company engaged in investment activities.

She is qualified by the Association of Chartered Certificate Accountants (ACCA) and is a non-practicing fellow member of the Institute of Singapore Chartered Accountants.

Age
47

Date of First Appointment as a Director
18 July 2016

Date of Last Re-election as a Director
NIL

Length of Service as a Director as at 1 April 2017
8 months

Board Committee(s) Served On
Nil

Academic & Professional Qualification(s)
ACCA

Fellow Member
Institute of Singapore Chartered Accountants

Present Directorships as at 1 April 2017
Other Listed Companies
Nil

Other Principal Commitments
Nil

Past Directorship in listed companies held over the preceding 3 years from 1 January 2014 to 31 March 2017
Nil

Age
65

Date of First Appointment as a Director
26 September 2012

Date of Last Re-election as a Director
28 April 2015

Length of Service as a Director as at 1 April 2017
4 years 6 months

Board Committee(s) Served On
Remuneration Committee (Chairman)[1]
Audit Committee (Member)[1]
Nominating Committee (Member)[1]

Academic & Professional Qualification(s)
Bachelor of Accountancy (First Class Honours)
University of Singapore
Fellow Member
Institute of Singapore Chartered Accountants
Fellow Member
CPA Australia

Present Directorships as at 1 April 2017
Other Listed Companies
China Kunda Technology Holdings Limited
Hengyang Petrochemical Logistics Limited
Mencast Holdings Ltd.
Yongmao Holdings Limited
Procurri Corporation Limited

Other Principal Commitments
Independent Director of Manulife US Real Estate Management Pte Ltd

Past Directorship in listed companies held over the preceding 3 years from 1 January 2014 to 31 March 2017
R H Energy Ltd.

HO CHEW THIM

LEAD INDEPENDENT DIRECTOR

Ho Chew Thim is our Lead Independent Director and was appointed to the Board on 26 September 2012. He is an accountant by vocation. He has over 35 years in financial management and has held senior financial positions in mainly listed companies and banks. These include China Water Holdings Pte. Ltd. (an associate of the SGX-ST listed CNA Group Ltd.), CNA Group Ltd., Achieva Ltd., China World Trade Centre Ltd. (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Ltd., China-Singapore Suzhou Industrial Park Development Co. Ltd., Deutsche Bank (Singapore Branch), L & M Group Investments Ltd., United Industrial Corporation Ltd., and United Overseas Bank Ltd.

Mr Ho also serves as an Independent Director on the board of China Kunda Technology Holdings Limited, Mencast Holdings Ltd., Yongmao Holdings Limited, Hengyang Petrochemical Logistics Ltd., Manulife US Real Estate Management Pte Ltd and Procurri Corporation Limited.

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

Note

[1] Appointed on 26 September 2012

Board of Directors

HEW KOON CHAN

INDEPENDENT DIRECTOR

Hew Koon Chan is our Independent Director and was appointed to the Board on 26 September 2012. He is currently the Managing Director of Integer Capital Pte. Ltd., a company which provides business consultancy services on mergers and acquisitions. Mr Hew's previous appointments include a Process Engineer at Texas Instruments Singapore (Pte) Ltd., and an Investment Director at Seavi Venture Services Pte. Ltd., a private equity firm which is an affiliate of Advent International Corporation. Mr Hew also serves as an Independent Director on the board of Nordic Group Limited, Roxy-Pacific Holdings Limited and Far East Group Limited.

Mr Hew holds a Bachelor of Engineering (Mechanical) Degree from the National University of Singapore. He also holds a Diploma in Accounting and Finance conferred by the Chartered Association of Certified Accountants, and a Graduate Diploma in Financial Management from the Singapore Institute of Management.

Age
55

Date of First Appointment as a Director
26 September 2012

Date of Last Re-election as a Director
29 April 2014

Length of Service as a Director as at 1 April 2017
4 years 6 months

Board Committee(s) Served On
Audit Committee (Chairman)[1]
Nominating Committee (Member)[1]
Remuneration Committee (Member)[1]

Academic & Professional Qualification(s)
Bachelor of Engineering (Mechanical)
National University of Singapore
Diploma in Accounting and Finance
Chartered Association of Certified Accountants
Graduate Diploma in Financial Management
Singapore Institute of Management

Present Directorships as at 1 April 2017 Other Listed Companies
Far East Group Limited
Nordic Group Limited
Roxy-Pacific Holdings Limited

Other Principal Commitments
Managing Director, Integer Capital Pte. Ltd.

Past Directorship in listed companies held over the preceding 3 years from 1 January 2014 to 31 March 2017
Nil

Notes:
[1] Appointed on 26 September 2012.

Age
45

Date of First Appointment as a Director
26 September 2012

Date of Last Re-election as a Director
28 April 2016

Length of Service as a Director as at 1 April 2017
4 years 6 months

Board Committee(s) Served On
Nominating Committee (Chairman)[1]

Audit Committee (Member)[1]

Remuneration Committee (Member)[1]

Academic & Professional Qualification(s)
Master of Laws (Merit)
Bachelor of Laws (Honours)
University of London

Bachelor of Arts (Honours)
National University of Singapore

Present Directorships as at 1 April 2017
Other Listed Companies
Anchor Resources Limited

LHN Limited

Other Principal Commitments
Partner, RHTLaw Taylor Wessing LLP

Past Directorship in listed companies held over the preceding 3 years from 1 January 2014 to 31 March 2017
Nil

CH'NG LI-LING

INDEPENDENT DIRECTOR

Ch'ng Li-Ling is our Independent Director and was appointed to the Board on 26 September 2012. She is currently a Partner and the Head of Capital Markets Practice of RHTLaw Taylor Wessing LLP, a Singapore law practice. She is a corporate practitioner whose areas of practice include corporate and securities laws, capital markets, mergers and acquisitions, corporate restructuring, joint ventures, corporate and commercial contracts, regulatory compliance and corporate governance advisory and corporate secretarial work.

In recent times, Ms Ch'ng has been named one of AsiaLaw Leading Lawyers in 2008, 2009 (Corporate Finance and Capital Markets), 2014 and 2015 (Capital Markets), and was recognised as 'Leading Lawyers' in the 2011, 2013, 2014, 2015 and 2016 editions of IFLR1000. She is co-author of "Law and Practice of Corporate Finance in Singapore", published by Lexis-Nexis in 2016. Ms Ch'ng holds a Bachelor of Arts (Honours) from the National University of Singapore, and obtained her Bachelor of Laws (Honours) and Master of Laws (Merit) from the University of London. She is a member of the Singapore Academy of Law, a Legal Practitioner of New South Wales, Australia, and is also qualified as a solicitor of England and Wales.

Notes:
[1] Appointed on 26 September 2012.

Senior Management

DeClout's senior management team comprises a total of 9 members, including three of our Directors, namely Vesmond Wong[1] (Chairman and Group CEO), Kow Ya[1] (Executive Director) and Cheryl Tan[1] (Executive Director, Finance).

LIM SWEE YONG

HEAD OF CORPORATE OFFICE
DeClout Limited

Mr Lim joined as the Head of Corporate Office for DeClout in August 2015, and currently also heads the Group's corporate venture arm. He is responsible for providing leadership to the Group's business development and growth strategies and to drive mergers and acquisitions and other corporate initiatives. He also oversees the Group's legal and corporate secretarial functions.

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

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

SPRING CHUA

HEAD OF OPERATIONS
DeClout Limited

Spring Chua is Head of Operations, managing the overall management information system (MIS) department that is key to the company's strategic planning, operational control, and the implementation of our evolving business plans. Mr Chua is also responsible for the continuous improvement of functional and transversal business processes to enable business through technology. In addition to his portfolio, he also manages the physical facilities of DeClout to ensure their optimal usage, security and sustainability.

Prior to his current role, Mr Chua was an Executive Director of Beaqon and played a pivotal role in driving key business initiatives such as strategic mergers and acquisitions and new market development for Beaqon. He has since transformed Beaqon from a labour intensive installer business to a solutions provider that distributes products and provides infrastructure services in the Telecommunications, Data Centre and Homeland Security verticals.

Before joining Beaqon, he co-founded Wired or Wireless Systems Pte Ltd ("WOWSYS"). As the Director of WOWSYS, he was responsible for business development and operations. Under his leadership, his major achievements include the swap-out of one of the mobile operators' 3G networks and the implementation of one of the NgNBN OpCo's Core Networks.

Mr Chua is a Certified Data Centre Professional (CDCP) by EXIN, an ICT body, and obtained a Bachelor of Business in Business Administration (Distinction) from the Royal Melbourne Institute of Technology.

THOMAS SEAN MURPHY

GLOBAL CHIEF EXECUTIVE OFFICER
Procurri Corporation Limited

Thomas Sean Murphy was appointed CEO of Procurri on 2 January 2014. He has more than 25 years of experience in the IT industry, and is responsible for the strategic planning and overall management of Procurri.

Mr Murphy began his career in technology sales, and within 10 years, worked his way to the position of Vice President of International Sales at Sun Data Systems, Inc, overseeing sales in over 70 countries. In 1998, he, together with three partners, launched Canvas Systems Inc. ("Canvas Systems"), one of the world's largest independent resellers of pre-owned, enterprise computer systems with offices in the US, UK and Netherlands. Canvas Systems was acquired by Avnet Inc. in 2012. Mr Murphy's string of tech successes in the US also included co-founding Optimus Solutions Inc. in 2001, which was sold to Softchoice Corporation in 2008.

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

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

Note

[1] For more details on our Executive Directors, please refer to pages 24 and 25.

KELVIN TAY

CHIEF EXECUTIVE OFFICER
Corous360 Pte. Ltd.

Kelvin Tay joined DeClout in January 2012 and was appointed the CEO of Corous360 in February 2015. Bringing with him 7 years of experience in the gaming industry, he plays a pivotal role in the strategic growth and leadership of Corous360.

From January 2012 to February 2015, Mr Tay was the Business Development Director of DeClout Limited, where he was responsible for driving the Group's financial growth and market positioning through business development initiatives such as mergers and acquisitions, fundraising strategies, and other strategic projects.

Prior to joining DeClout, Mr Tay was the Vice President of International Business Development at Infocomm Asia Holdings, one of Southeast Asia's top online game operators, where he was responsible for the China operations and securing Chinese game titles for the company. Mr Tay's prior experience also includes more than 8 years of experience in government agencies, including the Singapore Economic Development Board, SPRING Singapore and Contact Singapore.

Mr Tay holds a degree (cum laude) in Electrical and Computer Engineering from Cornell University.

JOSEPH LEE

CHIEF EXECUTIVE OFFICER
Beaqon Pte. Ltd.

Joseph Lee was appointed Chief Executive Officer of the Beaqon Group on 1 November 2016. He is charged with taking Beaqon forward in its next chapter of growth.

Prior to joining Beaqon, Mr Lee was an integral member of the management team at Certis CISCO. As Vice President & Head of Certis CISCO Technology, Mr Lee was successful in achieving the company's vision and goals through his contributions. He was chiefly responsible for winning milestone projects and implementing cutting-edge technological solutions in Singapore. A veteran in the Information and Communications Technolgy (ICT) industry, Mr Lee started his career as an engineer and has helmed positions in business development and sales management across ASEAN.

Mr Lee holds a Diploma from Singapore Polytechnic and a Bachelor of Engineering from the University of Strathclyde.

DESMOND TAY

CHIEF EXECUTIVE OFFICER
vCargo Cloud Pte. Ltd.

Desmond Tay co-founded vCargo Cloud ("VCC") in 2009 and was appointed CEO of VCC in July 2016, where he drives VCC's strategic growth and business development. His responsibilities also include synergising the operations of VCC with DeClout's business strategy.

Prior to founding VCC, he was with BizLabs Pte Ltd as a Managing Director, where he played an instrumental role in driving strategic business plans and partnerships. His previous appointments include being Founder and Director at Technology Genii Incorporated Pte Ltd and being Vice President at Technology 3rd Frontier Pte Ltd.

As an industry veteran, Mr Tay provides leadership and direction in driving the evolution of trade facilitation and cargo community platforms. He also pioneered the implementation of the e-freight@ Singapore solution for Singapore.

Mr Tay is also a regular speaker for the e-trade and e-logistics industry in Asia. His recent speaking engagements include 'Data as an Enabler for Fisheries Trading and Supply Chain', 'Implementing e-Tax System' and 'Introduction to Singapore's Trade and Logistics Information Systems'. He is also a member of the United Nations ESCAP's Digital Economy Task Force.

Mr Tay graduated with a Bachelor Degree of Science (Computer Science) from Open University, UK and a Diploma in Electrical Engineering from Ngee Ann Polytechnic.

Reports

Corporate Governance Report

As at 17 March 2017

DeClout Limited ("DeClout" or the "Company", and together with its subsidiaries, the "Group") considers good corporate governance to be the hallmark of a well-managed organisation. The focus of the Company's governance framework, which is formulated on the Company's vision and mission, is to promote accountability and transparency.

The board of directors of the Company (the "Board" or the "Directors") and the Company's management (the "Management") are committed to maintaining a high standard of corporate governance within the Group and adopt practices based on the Code of Corporate Governance 2012 (the "Code"). The Board has adopted the Code where appropriate so as to strengthen corporate governance practice and foster greater corporate disclosure.

The Company recognises the importance of good governance for continued growth and investors' confidence. In line with the commitment by the Company to maintaining high standards of corporate governance, the Company will continually review its corporate governance processes to strive to fully comply with the Code. The Board confirms that for the financial year ended 31 December 2016 ("FY2016"), the Company has generally adhered to the principles and guidelines set out in the Code, and where there are deviations from the Code, appropriate explanations are provided.

The Board is pleased to report compliance of the Company with the Listing Manual Section B: Rules of Catalist (the "Catalist Rules") of the Singapore Exchange Securities Trading Limited (the "SGX-ST") where applicable except where otherwise stated.

(A) BOARD MATTERS

The Board's Conduct of its Affairs

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

The Board's primary role is to protect and enhance long-term shareholders' value. Apart from its statutory duties and responsibilities, the Board sets the strategies for the Group, oversees the Management and affairs of the Group. It reviews and advises on overall strategies, policies and objectives, sets goals, supervises the Management, monitors business performance and goals achievement, and assumes responsibility for overall corporate governance of the Group to ensure that the Group's strategies are in the interests of the Company and its shareholders (the "Shareholders").

The Board is also responsible for the following corporate matters:

(a) setting and reviewing the corporate strategy and direction of the Group;

(b) reviewing the adequacy and integrity of the Company's internal controls, risk management systems, financial reporting systems and monitoring the performance of the Group and the Management;

(c) reviewing and approving the Group's major investments, divestments and funding proposals;

(d) reviewing the Group's financial performance, annual budget, financial plans, risk management and other corporate governance practices;

(f) reviewing interested person transactions;

(g) ensuring that the Group and the Management comply with laws, regulations, policies, directives, guidelines and internal code of conduct;

(e) providing oversight over the proper conduct of the Group's business; and

(f) considering sustainability issues e,g, environmental and social factors, as part of its strategic formulation.

Corporate Governance Report

As at 17 March 2017

While matters relating to the Group's objectives, strategies and policies require the Board's direction and approval, the Management is responsible for the day-to-day operations and administration of the Group in accordance with the objectives, strategies and policies set by the Board. The Board as a whole is collectively responsible for promoting the success of the Company and all Directors make decisions objectively in the interests of the Company. Matters that are specifically reserved for the Board's consideration and decision include, but are not limited to, investment decisions, material customer contracts, material commitments on expenditure, material acquisitions and disposals of assets, issuance of corporate guarantees, debentures, mortgages or charges, loan or borrowing undertakings, corporate or financial restructuring, interested person transactions, shares issuances, dividends and other returns to Shareholders.

The Board meets on a regular basis and as and when necessary to address any specific significant matters that may arise. If physical meeting is not possible, the Constitution[1] of the Company (the "Constitution") provides for the Directors to conduct meetings by teleconferencing or video-conferencing. While the Board considers Directors' attendance at the Board and Board Committee (as defined herein) meetings to be important, it should not be the main criteria to measure their contributions. The Board also takes into account the contributions by the Board members in other form including periodical reviews, provisions of guidance and advice on various matters relating to the Group.

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

In accordance with the recommendation of the Code, the Board delegated specific responsibilities to three committees, namely the Audit, Nominating and Remuneration Committees (collectively, the "Board Committees"). Each Board Committee has the authority to examine issues relevant to their terms of reference and to make recommendations to the Board for action. The ultimate responsibility and decision on all matters still lies with the Board.

In FY2016, the number of Board and Board Committee meetings held, as well as the attendance of each Board member at these meetings, are set out below:

	Board		Remuneration Committee		Nominating Committee		Audit Committee	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Wong Kok Khun	5	5	1	1*	1	1*	5	5*
Kow Ya	5	5	1	1*	1	1*	5	4*
Cheryl Tan Choo Huang**	5	3	1	-	1	-	5	3*
Ho Chew Thim	5	5	1	1	1	1	5	5
Hew Koon Chan	5	5	1	1	1	1	5	5
Ch'ng Li-Ling	5	5	1	1	1	1	5	4

Notes:

* Attended as invitees

** Appointed to the Board as an Executive Director on 18 July 2016

The Company is responsible for arranging and funding the training of Directors. During the period under review, the Directors are provided with briefings and are kept updated on relevant new laws and regulations, including directors' duties and responsibilities, corporate governance and developing trends, insider trading and financial reporting standards so as to enable them to properly discharge their duties as Board or Board Committees' members.

[1] Pursuant to the recent amendment of the Companies Act (Chapter 50) of Singapore, the Memorandum and Articles of Association of the Company are deemed by law to be merged to form the Constitution of the Company.

Corporate Governance Report

As at 17 March 2017

Upon the appointment of a new Director, the Company will provide a formal letter to the Director, setting out his or her duties and obligations. Such Directors are given appropriate briefings when they are first appointed to the Board. Appropriate programmes are conducted for all new Directors appointed to the Board to ensure that they are familiar with the Company's business, operations, governance practice and regulatory requirements. All Directors are required to disclose their interests in, and conflicts of interest with, the Company including any interested person transactions with the Company.

Board Composition and Guidance

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

During FY2016, the Board comprised:

Wong Kok Khun	(Chairman and Group CEO)
Kow Ya	(Executive Director)
Cheryl Tan Choo Huang	(Executive Director)[2]
Ho Chew Thim	(Lead Independent Director)
Hew Koon Chan	(Independent Director)
Ch'ng Li-Ling	(Independent Director)

The Company endeavours to maintain a strong and independent element on the Board. For FY2016 and as at the date of this corporate governance report, the Independent Directors make up at least half of the Board. Accordingly, the Code's recommendation that Independent Directors make up at least half of the Board where the Chairman and CEO is the same person is fulfilled. There is no director who is deemed to be independent by the Board notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him/her not to be independent.

The current composition of the Board provides a diversity of gender with three female Directors, namely, Ms Ch'ng Li-Ling, an Independent Director and Ms Kow Ya and Ms Cheryl Tan Choo Huang, both Executive Directors on the Board. Each Director has been appointed based on the strength of his or her calibre and experience. As a Group, the Directors possess core competencies such as accounting, finance, business, investment, legal and management experience, industry knowledge and strategic planning experience. Collectively, they provide constructive advice and guidance for effective discharge by the Board of its principal functions over the Group's strategies, businesses and other affairs.

Membership on the Board and Board Committees are carefully constituted to ensure equitable distribution of responsibilities and appropriate combination of skills and experience, as well as balance of power and independence. All members and chairpersons of the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC") are Independent Directors.

The NC reviews the size and composition of the Board and Board Committees on an annual basis. The Board is of the view that the current Board size is appropriate and sufficient for effective decision making. Taking into account the current scope and nature of the operations of the Group, the Board has the appropriate requisite mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision making. Each Director is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategies and the performance of its business.

[2] Appointed to the Board on 18 July 2016.

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All Directors are subject to retirement and re-election at least once every three years and all Directors appointed during the financial year are subject to retirement and re-election at the next annual general meeting ("AGM") of the Company. The independence of each Independent Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an Independent Director in its review and the NC is of the view that the three Independent Directors, Mr Ho Chew Thim, Mr Hew Koon Chan and Ms Ch'ng Li-Ling are independent. The Independent Directors do not have any relationships including immediate family relationships between the Directors, the Company, its related corporations, its 10% Shareholders or its officers that could interfere, or be perceived to interfere, with the exercise of their independence business judgment in the best interest of the Company. The Board confirms that none of the Independent Directors has served on the Board beyond nine years from the date of his or her first appointment. The Company's Lead Independent Director, Mr Ho Chew Thim is also the Lead Independent Director of Procurri Corporation Limited, a company in which the Company holds approximately 47.26% interest.

The Company has an effective and robust Board whose members constructively challenge and help develop proposals on short and long-term strategies for the Company. Independent Directors receive briefings on deals and developments, and are supported by timely, accurate and complete information before approval from the Board is sought. The Management's progress in implementing the Company's strategies is monitored by the Independent Directors. Where necessary, the Independent Directors may meet without the presence of the Management.

The profiles of each of the Directors are set out in the Board of Directors section in this annual report.

Chairman and Chief Executive Officer

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

Mr Wong Kok Khun ("Mr Wong") is the Chairman and Group Chief Executive Officer ("CEO"). The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman of the Board and the CEO is the same person. Mr Wong is a substantial Shareholder and has played an instrumental role in the growth of the Group to date. Mr Wong will continue to provide the vision and necessary leadership in the Group's next phase of growth. To ensure that Shareholders' interests are protected, the Company has appointed Mr Ho Chew Thim as its Lead Independent Director. The Lead Independent Director is available to Shareholders to whom concerns may be conveyed to as and when the need arises.

As the Chairman and Group CEO, Mr Wong is in constant consultation with the Board and the Board Committees on major issues. All major proposals are discussed and subject to approval by the Board.

Mr Wong steers the business of the Group and provides the Group with strong leadership and vision. Mr Wong leads the Management in setting strategies, objectives and missions and is responsible for the day-to-day operations of the Group. The role of Mr Wong includes the scheduling and chairing of Board meetings, and the controlling of quality, quantity and timeliness of information supplied to the Board.

In addition to the day-to-day running of the Group, Mr Wong ensures that each member of the Board and the Management works well together with integrity and competency. With the assistance of the company secretary, Mr Wong is responsible to:

(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 at the Board;

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

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(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 Independent Directors in particular; and

(h) promote high standards of corporate governance.

Mr Wong's performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the Board Committees consist of all Independent Directors, the Board believes that there is sufficient strong independent element and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

The Independent Directors meet at least once annually without the presence of the Executive Directors and the Management, and the Lead Independent Director will provide feedback to the Chairman after such meetings, if necessary.

Board Membership

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

The NC comprises Ms Ch'ng Li-Ling, Mr Ho Chew Thim and Mr Hew Koon Chan, all of whom are Independent Directors. Ms Ch'ng Li-Ling is the Chairman of the NC. The NC reports to the Board and meets at least once a year.

The NC is guided by its terms of reference which set out its roles, objectives and responsibilities. The NC is responsible for:

(a) identifying and nominating new suitable candidates;

(b) reviewing and assessing the nominations for the appointment, re-appointment or re-election of Directors before making recommendations to the Board on the same;

(c) reviewing board succession plans for the Directors, in particular, the Chairman and Group CEO re-nomination, and progressive renewal of the Board, having regard to the Director's competencies, commitments, contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, as an independent director. All Directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;

(d) developing a process for evaluation of the performance of the Board, its Board Committees and Directors;

(e) reviewing training and professional development programmes for the Board;

(f) evaluating each Board member's independence status on an annual basis;

(g) assessing the effectiveness of the Board as a whole; and

(h) evaluating each Board member's performance and contribution to the Board.

In assessing and selecting a new suitable Director, consideration will be given to the candidate's background, experience, industry knowledge and appropriate skills relevant to the Group's businesses (so as to enable the Board to make sound and well-considered decisions), and also whether there are any conflicts of interests with the Group.

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New Directors are appointed by way of a Board resolution, after the NC has approved their nomination. In its search and selection process for new Directors, other than through formal search, the NC taps on the resources of the Directors' personal contacts and recommendations of potential candidates and appraises the candidates to ensure that they possess relevant experience and have the calibre to contribute to the Group and its businesses, having regard to the attributes of the existing Board and the requirements of the Group.

The NC is responsible for reviewing and recommending all nominations and re-nominations of Directors. All Directors are subject to retirement in accordance with the provisions of the Constitution whereby Articles 106 and 108 require one-third of its Directors to retire and subject themselves to re-election by Shareholders at every AGM. The retirement of Directors is determined on a rotational basis. Pursuant to Article 116, a new Director appointed by the Board is subject to re-election at the next AGM following his or her appointment. Apart from the requirements by the Constitution, the NC also reviews the re-election of directors taking into consideration the Directors' attendances and participation at the Board meetings, personal attributes as well as contributions towards issues from time to time. The NC has considered the experience and qualifications of Ms Cheryl Tan Choo Huang and nominated to the Board for her appointment as Executive Director of the Company in FY2016.

The NC has nominated and recommended to the Board and the Board has agreed that Ms Kow Ya, Ms Cheryl Tan Choo Huang and Mr Hew Koon Chan will retire by rotation pursuant to the Constitution at the forthcoming AGM. All of them, being eligible for re-election, have offered themselves for re-election. Upon re-election, Ms Kow Ya, Ms Cheryl Tan Choo Huang and Mr Hew Koon Chan will remain as Directors of the Company. Save for their respective shareholding interests, direct or indirect, in the Company, there are no relationships including immediate family relationships between Ms Kow Ya, Ms Cheryl Tan Choo Huang and Mr Hew Koon Chan and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

The key information on Ms Kow Ya, Ms Cheryl Tan Choo Huang and Mr Hew Koon Chan can be found in the Board of Directors section in this annual report.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he or she has an interest.

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

Name of Directors and Board Membership	Date of First Appointment	Date of Last Re-Election	AC	RC	NC
Wong Kok Khun *Chairman and Group CEO*	1 February 2011	28 April 2016	-	-	-
Kow Ya *Executive Director*	1 January 2015	28 April 2015	-	-	-
Cheryl Tan Choo Huang *Executive Director*	18 July 2016	-	-	-	-
Ho Chew Thim *Lead Independent Director*	26 September 2012	28 April 2015	Member	Chairman	Member
Hew Koon Chan *Independent Director*	26 September 2012	29 April 2014	Chairman	Member	Member
Ch'ng Li-Ling *Independent Director*	26 September 2012	28 April 2016	Member	Member	Chairman

All Directors are required to declare their board representations as at the date of this annual report. The directorships and chairmanships of the Directors in other listed companies, both current and those held over in the preceding three years, together with academic and professional qualifications, shareholding in the Company and its related corporations, are disclosed in the Board of Directors section in this annual report.

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Considering the current listed company directorships of the Directors and in conjunction with Guideline 4.4 of the Code, the Board has determined that the maximum number of directorships of a director in listed companies is eight. The NC has also developed a guideline to address the issue of competing time commitments when the Directors serve on multiple boards. The primary consideration in deciding on the capacity of Directors including, but not limited to, time and attention that a Director may contribute to meetings, site visits and other training requirements, taking into account the Director's profession, involvement in consulting or committee work, other board representatives and in non-profit organisations. Other consideration also includes the ability and integrity of Directors to avoid potential conflict of interests while serving multiple board representations.

The Board does not encourage the appointment of alternate directors. No alternate director is appointed to the Board.

Board Performance

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

The Group implemented the Board-approved evaluation process and performance criteria to assess the performance of the Board and Board Committees as a whole and self-evaluation process to assess the contribution of each of the Directors to the effectiveness of the Board. The NC has adopted a formal process to assess the effectiveness of the Board and Board Committees as a whole and contribution of each of the Directors to the effectiveness of the Board. The qualitative measures include the effectiveness of the Board in its monitoring role and the attainment of the strategic objectives set by the Board. Annually, the evaluation exercise will be carried out by way of a Board and Board Committees' assessment checklist, which will be circulated to the Board members for completion and thereafter for the NC to review and determine the actions required to improve the corporate governance of the Company and effectiveness of the Board and Board Committees as a whole. Self-assessment of individual Director's performance will also be undertaken by the NC. Some factors considered in the individual review are Director's attendance and participation in and outside meetings, the quality of Director's intervention and industry and business knowledge of the Director.

A review of the Board and Board Committees' and individual Director's performance will be undertaken collectively by the Board annually by the NC with input from the other Board members.

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. During FY2016, both the Director's self-assessment and the Board and Board Committees' assessment checklists were sent to the company secretary. The company secretary compiled both the Director's self-assessment and the Board and Board Committees' assessment checklists and presented a summary of the results with a highlight of those evaluation criteria that have been identified and rated as high and low, to the NC Chairman. The results of the assessment checklists are shared by the NC Chairman with the rest of the NC and the Board members. The NC and the Board will facilitate discussions and suggestions for further improvement where necessary. The NC is satisfied that each Director has contributed effectively and demonstrated commitment to their respective roles (including commitment of time for the Board and Board Committees' meetings, and any other duties). The Board and Board Committees as a whole has also met the performance evaluation criteria and objectives during FY2016.

In evaluating the contribution of each Director, the NC is aware that some of the Independent Directors hold multiple directorships in other listed companies as each of them are required to disclose their appointment and cessation of their other directorships to the Board. Therefore, the NC will from time to time, evaluate their performance to ensure that each Director is able to carry out their duties effectively, taking into consideration the Director's other board representations and principal commitments. The NC is satisfied that sufficient time and attention are being given by the Directors to the Group's affairs, notwithstanding that some of the Directors have multiple board representations. The NC considers that the multiple board representations held presently by some of the Directors do not impede their performance in carrying out their duties to the Company and in fact, enhances the performance of the Board as it broadens the experience and knowledge of the Board.

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Access to Information

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

The Board and Board Committees are furnished with adequate and accurate information prior to any meeting so as to facilitate the Directors in the proper and effective discharge of their duties. Board papers are prepared for all members of the Board for each Board and Board Committees' meetings and are normally circulated in advance of each meeting.

The Board papers include sufficient information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at the Board and Board Committees' meetings. 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.

The Board as a whole as well as individual Directors have separate and independent access to the Management and senior executive officers of the Group. The Management provides the Directors with regular updates on the operational and financial performance of the Group, and also responds to regular questions from the Board or individual Directors in a timely manner.

In the furtherance of its duties, the Board may obtain independent advice from external professionals and consultants, and such cost to be borne by the Company. This enhances the Board's ability to discharge its functions and duties.

All Board members have separate and independent access to the company secretary and in-house legal counsel. The company secretary attends Board and Board Committees' meetings, and assists the Chairman in ensuring that the Board and Board Committees papers, procedures and the applicable laws and regulations are adhered to. The appointment and removal of the company secretary is subject to approval of the Board.

Information about the Company and the Group are freely available to each Board member. The Management will supply any additional information that the Board requires. The Management and the senior executive officers of the Group are invited by the Board to attend the Board and Board Committees' meetings to present their proposals or to answer any questions that Board members may have.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises Mr Ho Chew Thim, Mr Hew Koon Chan and Ms Ch'ng Li-Ling, all of whom are Independent Directors. Mr Ho Chew Thim is the Chairman of the RC. The RC reports to the Board and meets at least once a year.

The key roles of the RC include:

(a) recommending to the Board a framework of remuneration for the Directors and the executive officers, and determining specific remuneration packages for each of them, with the recommendations of the RC submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and benefits in kind shall be covered by the RC; and

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(b) conducting an annual review of the remuneration of employees related to the Directors and substantial Shareholders, with the assistance of expert advice inside and/or outside the Company if needed, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/or promotions for these employees. In the event that a member of the RC is related to the employee under review, he or she will abstain from participating in the review.

If necessary, the RC will seek professional advice internally and/or externally pertaining to remuneration matters of Directors and key management personnel. For FY2016, the Company has appointed Mercer (Singapore) Pte. Ltd. ("Mercer") as remuneration consultant to establish job sizes of the executive roles including Executive Directors and key management personnel, and market data from the peer industry. There is no relationship between the Company and Mercer that will affect the independence and objectivity of Mercer.

The RC 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. None of the RC or Directors is involved in deliberating in respect of any remuneration compensation or any form of benefits to be granted to him or her.

Level and Mix of Remuneration

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

The Group adopts a performance compensation philosophy that reconciles total compensation to the Group and individual unit's performance. In creating a high performance organisation, the Group believes in creating a compensation structure that embraces competitive remuneration while ensuring sustainability of the Group.

The Group's remuneration framework is made up of:

(a) fixed monthly basic salary;

(b) fixed allowances;

(c) short-term variable payments;

(d) long-term incentive schemes; and

(e) benefits.

Salary review is conducted annually. Salary increments will take into account the profitability of the Group as a whole.

The long term incentive schemes of the Company are the DeClout Employee Share Option Scheme (the "ESOS") and the DeClout Performance Share Plan (the "PSP"). These long-term incentive schemes are intended to motivate and reward Executive Directors, Independent Directors and key management personnel and to align their interests with that of the Company.

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As at 31 December 2016, the Company has granted 12,000,000 share options pursuant to the ESOS, of which options to subscribe for 7,246,509 shares remained outstanding. Movements in the number of the unissued shares of the Company under the ESOS during FY2016 were as follows:

Exercise period		Outstanding options as at beginning of the year	Number of options granted during the year	Number of options exercised	Outstanding options as at end of year	Exercise price S$
From	To					
10 May 2015	9 May 2023	1,674,418	-	(167,442)	1,506,976	0.1881*
10 May 2016	9 May 2023	1,674,418	-	(167,442)	1,506,976	0.1881*
10 May 2017	9 May 2023	2,232,557	-	-	2,232,557	0.1881*
2 Jan 2015	1 Jan 2024	600,000	-	-	600,000	0.129
2 Jan 2016	1 Jan 2024	600,000	-	-	600,000	0.129
2 Jan 2017	1 Jan 2024	800,000	-	-	800,000	0.129
		7,581,393	-	(334,884)#	7,246,509	

* Adjusted pursuant to the completion of the Rights Issue in 2013
# 334,884 options were exercised on 17 October 2016

As at 31 December 2016, the Company has granted a total of 38,011,000 share awards pursuant to the PSP. The table below shows the share awards granted pursuant to the PSP during FY2016.

Date of grant of award	Number of shares which is the subject of the awards granted	Market price of the shares of the Company on date of grant S$	Number of awards granted to Directors and controlling Shareholders (and their associates), if any
20 May 2016	1,944,000	0.225	1,012,000
4 July 2016	5,435,000	0.220	Nil
18 July 2016	932,000	0.225	932,000

The shares to be issued pursuant to the share awards granted are subject to certain performance conditions to be satisfied by the participants and such shares pursuant to the share awards granted have been issued to the relevant participants as at the date of this corporate governance report.

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 PSP.

The RC has also reviewed the terms and conditions of the service agreements and the remuneration component of the Executive Directors. Mr Wong Kok Khun's and Ms Kow Ya's current service agreements with the Company end on 31 December 2018. Ms Cheryl Tan Choo Huang who was appointed as Executive Director with effect from 18 July 2016 had entered into a 3-year service agreement with the Company in FY2016.

The Executive Directors' remuneration package under their respective service agreements comprises a basic salary component and a variable component which is the annual bonus based on the performance of the Group as a whole and their individual business unit's performance.

The Group's incentive bonus is allocated based on the Group's financial performance and the key management personnel may be rewarded with business unit level bonus on achievement of the key performance indicators he or she is responsible for.

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In setting the remuneration package, the RC ensures that the Executive Directors and key management personnel are adequately but not excessively remunerated as compared to comparable companies in the industry.

During FY2016, the performance conditions and criteria used to determine the Executive Directors and key management personnel entitlement under the short term and long term incentive schemes have been met.

The Independent 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 RC has assessed and is satisfied that the Independent Directors are not overly compensated to the extent that their independence is compromised.

Other than being remunerated as employees of the Company, no Directors' fees will be paid to the Executive Directors in FY2016. Directors' fees of S$333,000 for FY2016 have been approved by Shareholders at the last AGM held on 28 April 2016 and the actual Directors' fees paid to the Directors is S$303,850 (including cash and share based). Additional Independent Directors' fees of S$90,000 for FY2016 and Directors' fees of up to S$293,000 for the current financial year ending 31 December 2017 are recommended by the Board and subject to the approval by Shareholders at the forthcoming AGM.

No Director is involved in deciding his own remuneration.

The Company currently uses contractual provisions to reclaim incentive components of remuneration from 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 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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

Remuneration bands/ Name of Director	Salary[1] (%)	Bonus[2] (%)	Director's Fees (%)	Others[3] (%)	Total (%)
(i) S$3,250,000 to S$3,499,999					
Mr Wong Kok Khun	17	81	-	2	100
(ii) S$750,000 to S$999,999					
Ms Kow Ya	33	42	-	25	100
(iii) S$250,000 to S$499,999					
Ms Cheryl Tan Choo Huang[4]	59	-	-	41	100
(iv) Below S$250,000					
Mr Ho Chew Thim	-	-	100	-	100
Mr Hew Koon Chan	-	-	100	-	100
Ms Ch'ng Li-Ling	-	-	100	-	100

Notes:

(1) Included employers' CPF and fixed allowances
(2) Included on target earnings and incentive bonus
(3) Included fair value of the options/awards under ESOS/PSP for FY2016 vested during the year on or before 31 December
(4) Appointed as Director on 18 July 2016

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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 may lead to the Company and its subsidiaries being exposed to unnecessary risks. Whilst sustaining the long term benefit of the Company, the Board is of the view that the disclosure of the remuneration in bands has sufficiently balanced off the Company's interests and the necessity to provide sound information to the investors for their investment decisions.

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

Remuneration bands	Number of key executives
S$500,000 to S$749,999[1][2]	2
S$250,000 to S$499,999[2]	3

Notes:

(1) Included key management personnel who resigned during FY2016.

(2) Included employers' CPF and fair value of the options/awards under ESOS/PSP for FY2016 vested during the year on or before 31 December.

The total remuneration, in aggregate, paid to the top 5 key executives (who are not Directors or CEO) of the Group for FY2016 is approximately S$2,402,000.

In FY2016, there were three executive officers of the Company that have ceased to be executive officers in the year, namely Mr Winston Koh Soon Teck, Mr Tan Wei Meng and Mr Cheng Mun Yip Marcus. The aggregate remuneration for all three executive officers from 1 January 2016 to their respective dates of cessation was approximately S$920,148. The actual remuneration paid to each executive officer will not be disclosed as the Board believes that the disclosure is commercially sensitive.

There are no Directors or employees who are related to one another or to any of the substantial Shareholders.

The Company does not have any employee who is an immediate family member of a Director or CEO, and whose remuneration exceeds S$50,000 in FY2016.

There are no termination, retirement and post-employment benefits that are granted to the Directors and the top 5 key executives.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is accountable to Shareholders and always aims to present a balanced and understandable assessment of the Company's and the Group's financial position and prospects to Shareholders on a timely basis. The Company releases the Group's operating performance and financial results on a quarterly, half-yearly and full-year basis and other price sensitive information via SGXNET in an effort to provide Shareholders with a balanced and accurate assessment of the Group's performance, financial position and prospects. A detailed analysis of the Group's financial performance and position were described in its recent full year announcement. Financial results are reviewed by the AC before it is recommended for adoption by the Board. The financial result announcement is reviewed carefully during the Board and the AC meetings before being released. If required, the Group's external auditors' view will be sought. The Management currently provides the Board with appropriately detailed management reports of the Group's performance and position on a quarterly basis. This is supplemented by updates on matters affecting the financial performance and business of the Group, if such event occurs.

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The Board keeps itself abreast and is kept informed by management of legislative and regulatory requirements. It is also guided by the Company's Catalist sponsor, SAC Advisors Private Limited, of any regulatory changes in the Catalist Rules.

Risk Management and Internal Controls

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

The Company does not have a separate risk management committee. The AC and the senior Management assumes the responsibility of the risk management function by regularly assessing and reviewing the Group's business and operational environment in order to identify areas of significant business and financial risks, such as credit risks, foreign exchange risks, liquidity risks and interest rate risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board. Once the risks are identified, the Management will table the measures and procedures to mitigate the risks to the AC and the Board for consideration and approval of the implementation of such measures and procedures.

The AC will review the effectiveness of the internal control function and, where deemed necessary, expand or streamline the internal control function to ensure its effectiveness within the Group. The Board reviews the adequacy and effectiveness of the Group's risk management and internal controls framework, including financial, operational, compliance and information technology controls at least on an annual basis.

The Company maintains a system of internal controls for all companies within the Group, but recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard Shareholders' interests and the Group's assets.

For FY2016, the Group CEO and the Executive Director for Finance have provided their confirmation to the Board that (a) the financial records have been properly maintained and the financial statements of the Group give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal controls systems are effective.

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 Group CEO and the Executive Director for Finance, the CEOs of the respective DeClout subsidiaries that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and that the Company's internal control procedures in place are effective in addressing the financial, operational, compliance, information technology controls and risk management system,

the Board, with the concurrence of the AC, is of the opinion that the Company'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 especially for the Group's newly acquired businesses. The Board has also agreed that there will be no separate risk management committee to be established, but the AC will oversee the scope of risk management of the Company.

The Board wishes to highlight that the Group acquires and invests in new business and entities, some of which are involved in technology start-ups. The internal auditors and external auditors have highlighted areas of improvement which have been reported to the AC and currently in the process of being improved upon by Management. Management has assessed and determined that such improvements do not have a significant impact on the financial statements of the Group for the year ended 31 December 2016. Management will continue to review and strengthen the Group's control environment, and devote resources and expertise towards improving the level of governance and internal controls, in particular for the newly acquired subsidiaries.

The system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Company is also consistently improving the Company's internal controls and adopting the recommendations which were highlighted by the internal and external auditors to further safeguard the Company's internal controls.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC comprises Mr Hew Koon Chan, Mr Ho Chew Thim and Ms Ch'ng Li-Ling, all of whom are Independent Directors. Mr Hew Koon Chan is the Chairman of the AC. The AC reports to the Board and meets at least four times a year.

The members of the AC possess the requisite accounting or related experience to discharge the AC's responsibilities. The key roles of AC include:

(a) reviewing with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to the Management and the Management's response;

(b) reviewing the scope and results of the external audit reports as well as the Management's responses to the findings of the external audit reports;

(c) reviewing the quarterly, half-yearly and full-year financial statements, as well as the results announcements, before submission to the Board for approval, and the integrity of financial reporting of the Company;

(d) reviewing the adequacy of the Company's internal controls;

(e) making recommendations to the Board on the appointment and re-appointment of auditors;

(f) reviewing the independence of the external auditors annually and state the aggregate amount of fees paid to the external auditors for that financial year, and a breakdown of fees paid in total for audit and non-audit services respectively;

(g) making recommendations to the Board on the proposals to Shareholders on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

(h) reviewing findings of internal investigations into matters where there is suspected fraud, irregularity, failure of internal controls or violation of any law likely to have a material impact on the financial reporting or other matters; and

(i) reviewing and monitoring all interested person transactions and conflict of interest situations which may raise issues about the Management's integrity.

The AC has the power to conduct or authorise investigation into any matter within its terms of reference. It has full access to and cooperation by the Management and full discretion to invite any Director or executive officer of the Group to attend its meetings and to ensure that reasonable resources are available to enable it to discharge its functions properly.

In order to ensure that the AC is able to fulfil its responsibilities, the Management provides the Board members with management reports and updates of the accounting standards, regulations and issues which have direct impact on the financial statements. This is to ensure that all relevant information including the material events and transactions are circulated to the AC as and when they arise.

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In addition, whenever necessary, the senior Management will be invited to attend the AC meetings to answer queries and provide detailed insights into their areas of operations. The AC is kept informed by the Management on the status of on-going activities between the Board meetings. Where a decision has to be made before a Board meeting, a Directors' resolution is done in accordance with the Constitution and the AC are provided with all necessary information to enable them to make informed decisions.

The Company's external auditors, Messrs Ernst & Young LLP, as part of their audit of the financial statements consider internal controls relevant to the Group's preparation of the consolidated financial statements. Any material non-compliance and internal control weaknesses noted during their audit, and the external auditors' recommendations to address such non-compliance and weaknesses, will be reported to the AC. Any material non-compliances and internal control weaknesses will be followed up by the Management as part of the Management's role in the review of the Company's internal control systems. The external auditors have unrestricted access to the AC. The AC has reviewed the overall scope of the external audits and met with the Company's external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls. The AC has met with the external auditors separately without the presence of the Management to review any area of audit concern.

The AC reviews the scope and results of the audit work, the cost effectiveness of the audit and the independence and objectivity of the external auditors. During FY2016, the AC has reviewed the independence of the external auditors of the Company including the volume of non-audit services performed. The aggregate amount of fees paid to the external auditors of the Company and other member firms of EY Global in FY2016 are tabulated in the table below:

Fees Paid	S$	%
Audit Services	493,000	79
Non-Audit Services	130,000	21
Total	623,000	100

The non-audit service fee was non-recurring in nature and related to transfer pricing services and tax advisory services rendered by the external auditors of the Company. The AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors of the Company.

The AC has recommended to the Board, and the Board has accepted, the re-appointment of Messrs Ernst & Young LLP ("EY") as the Company's external auditors for the current financial year ending 31 December 2017 at the forthcoming AGM. EY is registered with the Accounting and Corporate Regulatory Authority.

In line with the Code, the Company has implemented a whistle blowing policy (duly endorsed by the AC) and has incorporated this into the Company's internal control procedures. The whistle blowing policy will provide a well-defined and accessible channel in the Group through which the employees of the Group may raise concerns about improper conduct within the Group. The AC will review arrangements by which employees may raise in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The AC's objectives of such a policy are to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action. Employees' briefings have been conducted to update and explain the Company's whistle blowing policies adopted.

The whistle blowing policy has been made available to the Group's employees as part of the Group's efforts to promote awareness of fraud control. Staff may report directly to the Lead Independent Director, who is also a member of the AC, via post and email. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct adequate investigation. No such whistle blowing letter or email was received in FY2016.

The AC has also adopted a "Conflict of Interest" guideline into the staff handbook to provide guidance to staff on how to address a possible conflict of interest situation.

The Company's external auditors also briefed the AC on the changes in the financial reporting standards that will take effect during the financial year and also the following year. This ensures that the AC is kept abreast with the changes in financial reporting standards which have a direct impact on the Group's financial statements.

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The Group has appointed different auditors for its various subsidiaries. The Board and the AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rule 712 and Rule 716 of the Catalist Rules. Total audit fees and non-audit fees paid to these subsidiaries' external auditors in FY2016 amounted to S$382,000 and S$204,000 respectively. The S$204,000 non-audit fees were mainly in relation to special review in relation to the divestment of a subsidiary, purchase price allocation exercises, transfer pricing and tax advisory services rendered by the subsidiaries' external auditors.

No former partner or Director of the Company's existing auditing firm is a member of the AC.

Key Audit Matters

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

Significant matters	How the AC reviewed these matters and what decisions were made
Revenue recognition	The AC discussed and concurred with Management the revenue recognition basis for different transactions (including percentage of completion basis for long term contracts).
Accounting for business combinations	The AC assessed the appropriateness of accounting treatments for business combinations and is satisfied that Management had relied on independent reputable external consultants for the purchase price allocation exercises.
Impairment assessment of goodwill	The AC evaluated the appropriateness of the valuation methodology and models, depending on the growth stage of the investees and assess the reasonableness of key assumptions and sensitivity analyses for goodwill impairment assessment. The AC is regularly updated on the impairment assessment review process which covered the reasonableness of cash flow forecasts and its underlying assumptions.
Impairment of trade receivables	The AC is regularly updated on the status of trade receivables and their aging. The collectability of long outstanding debts and the reasonableness of impairment provisions made were reviewed by the AC and Management.
Allowance for inventories	The AC is regularly updated on the status of inventories and their aging. The bases used for assessing the inventory realizable value and the reasonableness of provision made for inventory write down to net realizable value were reviewed by the AC and Management.
Setting up a Global Parts Centre in Singapore	The AC is updated on the business rationale of the Global Parts Centre ("GPC") and noted the approval of the establishment of GPC by the board of directors of Procurri Corporation Limited, a separate listed entity considered as a subsidiary of the Company for the purposes of the consolidated financial statements of the Group under FRS 110 Consolidated Financial Statements. The AC was also briefed that the management of Procurri Corporation Limited had referenced the basis of costing these maintenance parts to market data (where applicable) and the accounting for such parts acquisition and classified these as fixed assets.
Consolidation of an entity with less than 50% ownership	The AC conferred with the Management and the Company's auditors and considered DeClout's level of shareholding in relation to the shareholders base of Procurri Corporation Limited in determining DeClout's de facto control over Procurri Corporation Limited.

Internal Audit

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

The Board supports the need for an internal audit function where its primary objective is to maintain a system of internal controls and processes to safeguard Shareholders' interests and the Group's assets. The internal auditors' primary role is to assist the Board and the Management to review the effectiveness of the key internal controls, including financial, operational, compliance, information technology controls, and risk management systems on an

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on-going basis and to provide an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The internal auditor team is expected to meet the standards set by nationally or internationally recognised professional bodies including the standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

For FY2016, the Company has engaged PriceWaterhouseCoopers LLP to undertake the role of internal auditors to review the Group's processes and internal controls with the objective of assessing the adequacy and effectiveness of controls that are in place for its key business processes. The Company has a designated personnel to assist Management in the implementation of internal controls. All major weaknesses identified were promptly addressed and rectified. A follow-up review was also performed to validate it. The Company's internal audit programme was formulated with these three primary objectives:

(a) further improving the existing internal controls in place within the Company and the Group;

(b) on-going assessment of effectiveness and efficiency of the Group's control environment; and

(c) ensuring best industry practices are adopted whenever possible and feasible.

The internal auditors' primary line of reporting is to the Chairman of the AC and they have unrestricted direct access to all of the Company's documents, records, properties and personnel. Procedures are in place for internal auditors to report independently their findings and recommendations to the AC. The AC will review the internal audit plan, the scope and findings of internal audit procedures during the year and the internal auditors' reports at least once yearly. The AC is satisfied that the internal audit is adequately resourced with persons with the relevant qualifications and experience and has appropriate standing. The AC will also meet with the internal auditors at least once a year without the presence of the Management. The hiring, evaluation and compensation of the internal auditors are subject to the approval of the AC.

The AC will review annually the adequacy and effectiveness of the internal auditors.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Board ensures that Shareholders are well informed on the changes in the Group's business and other events which are likely to affect the price or value of the Company's shares. The Company also ensures that the Shareholders are able to participate and vote at general meetings and Shareholders are kept informed of the rules and voting procedures that govern the general meetings. The Company allows corporations which provide nominee or custodial services to appoint more than two proxies so that Shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

Communication with Shareholders

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

The Board is mindful of its obligations to provide its Shareholders with timely disclosure of material information presented in a fair and objective manner.

The Company does not practise selective disclosure. In line with the continuing obligations of the Company pursuant to the Catalist Rules, the Board's policy is that all Shareholders would be equally informed of all major developments and/or transactions impacting the Group. The Company is committed to disclosing as much relevant information as is possible, in a timely, fair and transparent manner, to its Shareholders.

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The Company issues announcements and news releases on an immediate basis when required under the Catalist Rules. Where immediate disclosure is not possible, the relevant announcement is made as soon as possible to ensure that all Shareholders and the public have equal access to the information.

By supplying Shareholders with reliable and timely information, the Company is able to strengthen the relationship with its Shareholders based on trust and accessibility. The Company has a team of marketing and communications personnel who assist 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 investors publicly apprised of the Group's corporate developments and financial performance. Shareholders are given the opportunity to air their views at general meetings.

Quarterly and full-year results of the Company will be published through the SGXNET and the Company's website. All information on the Company's new initiatives will be first disseminated via SGXNET followed by a news release, where appropriate, which will also be available on the Company's website. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued within the period prescribed by the Catalist Rules and are available on the Company's website at www.declout.com. The release of such timely and relevant information is crucial to good corporate governance and enables Shareholders to make informed decisions in respect of their investments in the Company. The Company manages enquiries from Shareholders and the public, and addresses Shareholders' concerns through its investor relations communications channels.

Shareholders are informed of general meetings through notices published in the SGXNET, newspapers and documents sent to all Shareholders.

The Company does not have a dividend policy and the Board may consider a dividend policy at an appropriate time. For FY2016, the Board does not recommend any payment of dividends as the Group intends to reinvest the profits for development and operation purposes.

Conduct of Shareholders' Meeting

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

The AGM of the Company is a principal forum for dialogue and interaction with all Shareholders. All Shareholders will receive the annual report of the Company and notice of AGM. At the AGM, Shareholders will be given the opportunity to voice their views and to direct questions regarding the Group to the Directors. The Chairpersons of the AC, the NC and the RC would be present at the AGM to answer any question relating to the work of these 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.

Shareholders are given the right to vote on the resolutions at general meetings. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The results of all general meetings of the Company will be notified and released through SGXNET after the meetings. 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. On 3 January 2016, the relevant legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding relevant licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

The Directors may, at their discretion, allow absentia-voting methods such as mail, e-mail or fax. However, as the authentication of shareholders' identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to allow absentia-voting methods.

Corporate Governance Report

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The Company intends to employ electronic polling at the forthcoming general meetings. Separate resolutions are proposed on each substantially separate issue. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. 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 meeting.

The company secretary prepares minutes of Shareholders' meetings, which incorporates substantial comments or queries from Shareholders, and responses from the Board and the Management. These minutes are made available to Shareholders upon their requests.

Material Contracts

Save for the service agreements between the Executive Directors and the Company, there were no material contracts entered into by the Company and any of its subsidiaries involving the interests of the CEO, any Director or controlling Shareholders, either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of the financial year ended 31 December 2015.

Dealing in Securities

With reference to Rule 1204(19) of the Catalist Rules, the Company issues a directive to all employees and Directors not to deal in the Company's securities during the period commencing two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year, or during the period commencing one month immediately preceding the announcement of the Company's full-year results, and ending on the date of announcement of the relevant results. Reminders are sent via email to remind all Directors and employees. The Company has conducted staff briefing to explain the Company's policy on this matter.

In addition, the employees and Directors 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. The Board is kept informed when a Director trades in the Company's securities.

The Company has also adopted a policy against purchasing or acquiring any of its own Shares pursuant to its share buy back mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Further, in conformity with the best practices on dealing with securities under the Catalist Rules, the Company will not purchase or acquire any of its Shares through market purchases during the period commencing two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year, or during the period commencing one month immediately preceding the announcement of the Company's full-year results, and ending on the date of announcement of the relevant results.

Interested Person Transactions

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

There were no interested person transactions entered into by the Group during FY2016.

The Company does not have a general mandate from Shareholders for interested person transactions pursuant to Rule 920(1)(a)(i) of the Catalist Rules.

Non-Sponsorship Fees

There were no non-sponsorship fees paid to the Company's sponsor, SAC Advisors Private Limited, for FY2016.

Financials

Directors' Statement and Financial Statements

Additional Information

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of DeClout Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

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

DIRECTORS

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

Wong Kok Khun
Kow Ya
Cheryl Tan Choo Huang
Ho Chew Thim
Hew Koon Chan
Ch'ng Li-Ling

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' 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, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
Name of directors and entity in which a director has interests	At beginning of the financial year/date of appointment	At end of the financial year	At 21 days after financial year	At beginning of the financial year/date of appointment	At end of the financial year	At 21 days after financial year
The Company						
Ordinary shares						
Wong Kok Khun	18,877,500	27,877,500	26,877,000	55,019,570	55,019,570	53,044,570
Kow Ya	10,000,000	16,800,000	16,196,900	–	–	–
Cheryl Tan Choo Huang	1,630,000	1,630,000	1,571,500	–	–	–
Ho Chew Thim	375,000	550,000	532,000	–	–	–
Hew Koon Chan	75,000	50,000	50,000	–	–	–
Ch'ng Li-Ling	75,000	250,000	250,000	–	–	–

Directors' Statement

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Name of directors and entity in which a director has interests	Direct interest: At beginning of the financial year/date of appointment	Direct interest: At end of the financial year	Deemed interest: At beginning of the financial year/date of appointment	Deemed interest: At end of the financial year
The Company				
Options granted under DeClout Employee Share Option Scheme				
Wong Kok Khun	2,232,558	2,232,558	–	–
Kow Ya	558,139	558,139	–	–
Shares awards granted under DeClout Performance Share Plan				
Kow Ya	1,600,000	1,266,000	–	–
Cheryl Tan Choo Huang	466,000	466,000	–	–
Ho Chew Thim	175,000	191,000	–	–
Hew Koon Chan	175,000	187,000	–	–
Ch'ng Li-Ling	175,000	168,000	–	–

Wong Kok Khun holds 100% of the issued and paid up share capital of 3rd Space Pte. Ltd. ("3rd Space"). By virtue of his control of the exercise of not less than 20% of the votes attached to the voting shares in 3rd Space, Wong Kok Khun is deemed to be interested in the shares of the Company held by 3rd Space.

By virtue of section 7 of the Act, Wong Kok Khun is deemed to have interests in the shares of all the subsidiaries held by the Company.

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.

Except as disclosed in this report, there was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

SHARES OPTIONS AND AWARDS

DeClout Employee Share Option Scheme ("DeClout ESOS")

The DeClout ESOS was approved pursuant to a written resolution passed by the shareholders on 5 October 2012.

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

- Ho Chew Thim (Chairman of the RC and independent and non-executive director)
- Hew Koon Chan (Independent and non-executive director)
- Ch'ng Li-Ling (Independent and non-executive director)

Directors' Statement

SHARES OPTIONS AND AWARDS (cont'd)

DeClout Employee Share Option Scheme ("DeClout ESOS") (cont'd)

Subject to the absolute discretion of the RC, options may be granted to the following Groups of participants under the DeClout ESOS:

- group employees;
- group directors (including Group executive directors, Group non-executive directors and independent directors); and
- controlling shareholders or associates of controlling shareholder who fall within the above categories (subject to the rules of the DeClout ESOS).

The grant of options to each controlling shareholders or associates of controlling shareholders shall be subject to specific approval by the independent shareholders in a general meeting.

The aggregate number of shares arising from options which the RC may grant on any date, when added to (i) the number of shares issued and issuable and/or transferred or transferable in respect of all options granted thereunder, and (ii) all shares issued and issuable and/or transferred or transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company for the time being in force, including the awards granted under the DeClout Performance Share Plan shall not exceed 15% of the issued share capital (excluding treasury shares) of the Company on the date preceding the offering date.

Offers for the grant of options may be made at any time at the discretion of the RC, in accordance with the SGX-ST Catalist Listing Manual. The options are exercisable within 6 to 9 years from the commencement of the exercise period.

The exercise price for each option shall be determined by the RC at its absolute discretion, and fixed by the RC at:

- a price ("Market Price") equal to the average of the last dealt price for the shares on Catalist for the five consecutive market days immediate preceding the relevant date of grant of the relevant Option; or

- a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the RC in its absolute discretion, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price (or such other percentage or amount as may be determined by the RC and prescribed or permitted for the time being by the SGX-ST), and the prior approval of shareholders have been obtained at a general meeting, in a separate resolution, for the grant of options under the scheme at a discount not exceeding the maximum discount as aforesaid.

Directors' Statement

SHARES OPTIONS AND AWARDS (cont'd)

DeClout Employee Share Option Scheme ("DeClout ESOS") (cont'd)

The table below summarises the number of options that were outstanding, their exercise price as at the end of the reporting year as well as the movement during the reporting year.

Exercise period From	To	Number of options outstanding as at beginning of the year	Number of options granted during the year	Number of options exercised during the year	Number of options outstanding as at end of the year	Exercise price $
10 May 2015	9 May 2023	1,674,418	–	(167,442)	1,506,976	0.1881*
10 May 2016	9 May 2023	1,674,418	–	(167,442)	1,506,976	0.1881*
10 May 2017	9 May 2023	2,232,557	–	–	2,232,557	0.1881*
2 January 2015	1 January 2024	600,000	–	–	600,000	0.1290
2 January 2016	1 January 2024	600,000	–	–	600,000	0.1290
2 January 2017	1 January 2024	800,000	–	–	800,000	0.1290
		7,581,393	–	(334,884)	7,246,509	

* Adjusted pursuant to the completion of the Rights Issue in 2013

The information on directors (holding office at the date of this report) of the Group participating in DeClout ESOS is as follows:

Participants	Aggregate options granted since the start of the plan to end of year	Aggregate options exercised/ cancelled/lapsed since the start of plan to end of year	Aggregate options outstanding as at end of year
Directors			
Wong Kok Khun	669,767	–	669,767[a]
	669,767	–	669,767[b]
	893,024	–	893,024[c]
Kow Ya	167,442	–	167,442[a]
	167,442	–	167,442[b]
	223,255	–	223,255[c]
	2,790,697	–	2,790,697

[a] Adjusted exercise price of $0.1881. Exercise period from 10 May 2015 to 9 May 2023.
[b] Adjusted exercise price of $0.1881. Exercise period from 10 May 2016 to 9 May 2023.
[c] Adjusted exercise price of $0.1881. Exercise period from 10 May 2017 to 9 May 2023.

No participant has received 5% or more of the total options and performance shares available under DeClout ESOS and DeClout PSP schemes.

During the reporting year, no option was granted at a discount.

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under options.

DeClout Employee Share Option Scheme ("DeClout PSP")

The Group operates a Performance Share Plan, the DeClout PSP, which was approved pursuant to a written resolution passed by the shareholders on 5 October 2012.

The DeClout PSP is administered by the Awards Committee, whose members are currently members of the RC.

Directors' Statement

SHARES OPTIONS AND AWARDS (cont'd)

DeClout Employee Share Option Scheme ("DeClout PSP") (cont'd)

The participants of the DeClout PSP are similar to those of the DeClout ESOS. The shares awarded to each controlling shareholders or associates of controlling shareholders shall be subject to specific approval by the independent shareholders in a general meeting.

The total number of shares which may be issued or transferred pursuant to the awards granted under the DeClout PSP, when added to (i) the number of shares issued or issuable and/or transferred or transferrable in respect of all awards granted thereunder; and (ii) all shares issued or issuable and/or transferred or transferrable under any other share incentive schemes adopted by the Company for the time being in force, shall not exceed 15% of the issued share capital (excluding treasury shares) of the Company on the day preceding the relevant award date.

The table below summarises the number of 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 PSP outstanding as at beginning of year	Number of PSP granted during the year	Number of shares issued during the year	Number of PSP forfeited during the year	Number of PSP outstanding as at end of year	Market price $
1 July 2014	1,000,000	–	(1,000,000)	–	–	0.280
8 July 2014	525,000	–	(525,000)	–	–	0.285
13 August 2014	4,200,000	–	(1,800,000)	–	2,400,000	0.265
1 October 2014	4,800,000	–	(2,400,000)	–	2,400,000	0.260
13 January 2015	5,000,000	–	(2,500,000)	–	2,500,000	0.230
24 March 2015	500,000	–	–	–	500,000	0.245
14 August 2015	1,232,500	–	(362,500)	–	870,000	0.230
20 May 2016	–	1,944,000	–	–	1,944,000	0.225
4 July 2016	–	5,435,000	–	–	5,435,000	0.220
18 July 2016	–	932,000	(466,000)	–	466,000	0.225
	17,257,500	8,311,000	(9,053,500)	–	16,515,000	

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

Participants	Aggregate PSP granted since the start of the plan to end of year	PSP granted during the year	Aggregate PSP vested since the start of the plan to end of year	Aggregate PSP outstanding as at end of year
Directors				
Kow Ya	2,066,000	466,000	(800,000)	1,266,000
Cheryl Tan Choo Huang	932,000	932,000	(466,000)	466,000
Ho Chew Thim	441,000	191,000	(250,000)	191,000
Hew Koon Chan	437,000	187,000	(250,000)	187,000
Ch'ng Li-Ling	418,000	168,000	(250,000)	168,000
	4,294,000	1,944,000	(2,016,000)	2,278,000

The Company has no controlling shareholders as defined in the SGX-ST Catalist Listing Manual and hence there were no participants who are controlling shareholders of the Company and their associates for the purposes of the DeClout ESOS and DeClout PSP.

Directors' Statement

AUDIT COMMITTEE

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

Hew Koon Chan	(Chairman of AC and independent and non-executive director)
Ho Chew Thim	(Independent and non-executive director)
Ch'ng Li-Ling	(Independent and non-executive director)

The AC carried out its functions specified by Section 201B(5) of the Companies Act, the SGX-ST Catalist Listing Manual and the Code of Corporate Governance. Among other functions, it performed the following:

- reviewed with the independent external auditors their audit plan;

- reviewed with the independent external auditors their evaluation of the Company's internal accounting controls relevant to the statutory 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 scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditors; and

- reviewed the interested person transactions (as defined in Chapter 9 of the SGX-ST Catalist Listing Manual).

Other functions performed by the AC are described in the corporate governance report in the annual report of the Company. It also includes an explanation of how independent auditors' objectivity and independence is safeguarded where the independent auditors provide non-audit services.

Further details regarding the AC are disclosed in the Corporate Governance Report in the annual report of the Company.

AUDITORS

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

On behalf of the board of directors,

Wong Kok Khun
Director

Cheryl Tan Choo Huang
Director

29 March 2017

Independent Auditor's Report to the Members of DeClout Limited

For the financial year ended 31 December 2016

REPORT ON THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of DeClout Limited (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the statement of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows 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 and the statement of financial position of the Company and statement of changes in equity are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

(1) Revenue recognition

Trading revenue

The Group recognised revenue of $304,022,000 during the financial year, of which 72.7% were generated by two of its subsidiary groups which are in the business of trading of computer hardware, peripherals equipment and distribution of game software. We identified higher audit risk due to sales cut off arising from high trading volume in the last quarter of the financial year and determined this as a key audit matter.

As part of our audit procedures, we evaluated the appropriateness in application of the Group's revenue recognition accounting policies. We obtained an understanding of management's internal controls over the revenue recognition process and placed attention on the timing of the revenue recognition. We performed testing of revenue by vouching

Independent Auditor's Report to the Members of DeClout Limited

For the financial year ended 31 December 2016

to supporting documents based on a sampling of the revenue transactions to test that the related revenue and trade receivables are recorded in the correct accounting period, taking into consideration the terms and conditions in contracts. We evaluated the presentation of revenue based on arrangements with customers. We sent confirmations on a sampling basis to customers to confirm the dates of sales transactions.

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

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

Contract revenue

The Group also recognised revenue from contracts using the percentage of completion ("POC") method. This method is used for long-term contracts, which requires recognition of revenues and gross profit systematically during the periods of project, based on stage of completion.

- One of the subsidiaries entered into construction contract and the amount of revenue recognised in 2016 was $932,000. The stage of completion is determined by reference to reports from external quantity surveyor.

- Another subsidiary earned revenue through contracts signed with customers to design, manufacture, and install security systems. The amount of revenue recognised in 2016 was $12,845,000. The stage of completion is determined by reference to actual cost incurred to date as a percentage of the total estimated costs for the contract.

The POC method involves the use of significant judgements and estimates involving total budgeted costs, the progress towards completion and the remaining costs to completion for each project. In addition, revenue, cost and gross profit realised on the contracts can vary from the Group's original estimates because of changes in conditions. As such, we determined this to be key audit matter.

Our audit procedures include understanding and evaluating the design of internal controls with respect to the Group's project management, the project results estimation process, and accounting for the contracts. We tested the mathematical accuracy of contract revenues, costs and profits based on the percentage of completion calculations. We assessed the estimates of costs to complete for significant contracts, obtained an understanding of the performance and status of the contracts through discussion with contract project managers, and where appropriate, corroborated explanations by examination of evidence, such as customer correspondence and receipt of milestone payments. We reviewed the project files and discussed with management the progress of significant contracts to determine if there are any adverse changes such as delays, penalties or overruns that could have a material impact on the estimation of contract revenues, costs as well as the overall profitability of the contracts which would require the recognition of foreseeable losses or liquidated damages on such contracts. In the case where stage of completion is determined by reference to reports from external quantity surveyor, we performed audit procedures on the reports to establish that percentage of completion has been acknowledged and agreed by the customer. We also assessed the adequacy of the disclosures in respect of revenue in Note 2.9, Note 2.22 and Note 4 to the financial statements.

(2) Accounting for business combination

During the financial year ended 2016, the Group acquired three businesses (TJ Systems Pte Ltd, Pacific Internet (S) Pte Ltd and EAF Supply Chain Holding Limited). There was also a step-up acquisition of a subsidiary (vCargo Cloud Pte Ltd) previously recorded as an associate. Total purchase consideration paid was $23,695,000. For acquisitions of

Independent Auditor's Report to the Members of DeClout Limited

For the financial year ended 31 December 2016

TJ Systems Pte Ltd, Pacific Internet (S) Pte Ltd and vCargo Cloud Pte Ltd, the Group recognised goodwill of $15,653,000. For acquisition of EAF Supply Chain Holding Limited, the Group recognised a gain on bargain purchase of $1,110,000 in profit or loss during the year. The Group has recorded these transactions based on the Purchase Price Allocation ("PPA"), whereby the acquirer allocates the purchase price into various identifiable assets and liabilities acquired from the new business.

We have determined this to be a key audit matter based on the quantitative materiality of the acquisitions, the significant management judgment made on the provisional PPAs, and the adjustments made to align accounting policies with those of the Group.

As part of our audit procedures on the accounting for the acquisitions, we reviewed the purchase agreements to obtain an understanding of the transactions and the key terms. Management engaged external valuation expert to assist them with the PPAs. We assessed the competence, capabilities and objectivity of the external experts engaged by management. An important element of our audit relates to the identification and fair value measurement of the acquired assets and liabilities. We tested this identification based on our discussion with management and our understanding of the business of the acquired companies. We involved our internal specialists in reviewing the management's valuation methodologies and assessing the key assumptions and inputs used in measuring the fair value of the acquired assets.

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

(3) Impairment assessment of goodwill

As at 31 December 2016, the goodwill is carried at $50,802,000, which represents 56.5% of the total non-current assets and 30.6% of total equity. We considered the audit of management's annual impairment test of goodwill to be a key audit matter because the assessment process was complex and involved significant management judgement. Based on the annual impairment testing, there was no impairment recognised during the financial year.

As disclosed in Note 16, the Group allocated goodwill to 7 cash-generating units (CGUs). Each CGU represents the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. The recoverable amounts of the identified CGUs have been determined based on value in use calculations using cash flow projections approved by management.

We assessed the valuation method used by management and evaluated the key assumptions used in the impairment test, in particular the terminal growth rates and discount rates. We considered the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results. We evaluated the terminal growth rates by benchmarking them to future market and economic data such as economic growth, expected inflation rates, expected market share, revenue and margin development. We involved our internal valuation specialists to assess the discount rates used by the Group. We reviewed management's analysis of the sensitivity of the goodwill balances to changes in the key assumptions. In addition, we also considered the valuation of comparable transactions. We also reviewed the adequacy of the Group's disclosures on the goodwill impairment test in Note 16 to the financial statements.

(4) Impairment of trade receivables

The Groups' trade receivable balances were significant as they represent 34.1% of the total current assets in the consolidated balance sheet. The total trade receivables and related allowance for impairment of trade receivables amounted to $66,341,000 and $587,000 respectively as at 31 December 2016. Trade receivables impairment assessment requires significant management judgment in assessing the trade debtors' ability to pay. As such, we determined that this is a key audit matter.

Independent Auditor's Report to the Members of DeClout Limited

For the financial year ended 31 December 2016

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. We assessed the Group's processes and controls relating to the monitoring of trade receivables and considered aging to identify collection risks. We performed audit procedures, amongst others, sending trade receivable confirmations on a sampling basis and reviewing for collectability by way of obtaining evidence of subsequent receipts from the trade receivables. We had discussions with management on the recoverability of the long outstanding debts. We also evaluated management's assumptions and estimates used to determine the trade receivables impairment amount through detailed analyses of ageing of receivables, assessment of material overdue individual trade receivables and where applicable, review of customers' payment history and correspondences between the Group and the customers. We assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 20 and 33 to the financial statements.

(5) Allowance for inventories

The Group's total inventories and the related write down to net realisable value ("NRV") amounted to $28,555,000 and $2,783,000 respectively as at 31 December 2016. The Group's inventories mainly consist of computer hardware and peripheral equipment, electronics equipment, wires, cables and games software, which are subject to risks of obsolescence due to technological advancements or changes in consumers' preference. The determination of allowance for inventory write down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of provision required. As such, we determined that this is a key audit matter.

As part of our procedures, we obtained the inventory ageing report and discussed with management their procedures to identify slow-moving and obsolete inventories and assess adequacy of the allowance for slow moving and obsolete inventories. We reviewed the reasonableness of the allowance for inventory obsolescence by comparing the inventory turnover, gross profit margin, and inventory ageing against prior years' results. We selected samples of inventories and tested that they were stated at the lower of cost and NRV by verifying to market prices of products with similar technical specifications or subsequent year-end sales price of the inventories. We also assessed the adequacy of the disclosures related to inventories in Note 19 to the financial statements.

(6) Setting up a Global Parts Centre in Singapore

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

(7) Consolidation of a subsidiary with less than 50% ownership

As at 31 December 2016, the Company held 47% in its subsidiary Procurri Corporation Limited ("Procurri), which is a public company listed on the Singapore Stock Exchange since July 2016. Prior to the initial public offering ("IPO") of Procurri in July 2016, the Company held 69% in Procurri and accounted it as a subsidiary. Subsequent to Procurri's IPO, the Company's equity ownership in Procurri decreased to 47% as at 31 December 2016, which was less than 50% ownership. The Company continued to consolidate Procurri Corporation Limited and its subsidiaries ("Procurri Group") for the year ended 31 December 2016. Management exercised judgement and determined that Procurri Group remains as a subsidiary on the basis that the Company is the single largest shareholder of Procurri, and the remaining 53% of the ordinary shares of Procurri are owned by large number of individual shareholders. The assessment of whether the Company has control over Procurri without a majority of voting rights requires significant management judgment. We determined that this is a key audit matter as this judgment has significant effect on the amounts recognised in the consolidated financial statements. As such, we determined that this is a key audit matter.

Independent Auditor's Report to the Members of DeClout Limited

For the financial year ended 31 December 2016

We evaluated management's assessment on the accounting position to consolidate Procurri Group based on financial reporting standards. We inquired with management of the Group and corroborated the evidence through our observations during the audit. We also assessed the adequacy of the disclosure in Notes 3 and 13 to the financial statements.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report to the Members of DeClout Limited

For the financial year ended 31 December 2016

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

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

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

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

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

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

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

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

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 Chan Yew Kiang.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

29 March 2017

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2016

	Note	Group	
		2016 $'000	2015 $'000
Revenue	4	304,022	279,466
Cost of sales		(225,640)	(209,769)
Gross profit		78,382	69,697
Other items of income			
Other income	5	28,836	2,536
Other items of expense			
Other charges, net	6	(5,792)	(2,357)
Selling expenses		(12,240)	(11,700)
Administrative expenses		(72,636)	(47,738)
Finance costs	7	(4,716)	(2,699)
Share of results of associates		(148)	221
Profit before tax	8	11,686	7,960
Income tax expense	10	(2,179)	(253)
Profit for the year, net of tax		9,507	7,707
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(2,562)	(748)
Other comprehensive income for the year, net of tax		(2,562)	(748)
Total comprehensive income for the year		6,945	6,959
Profit attributable to:			
Owners of the Company		7,758	4,978
Non-controlling interests		1,749	2,729
		9,507	7,707
Total comprehensive income attributable to:			
Owners of the Company		6,053	4,462
Non-controlling interests		892	2,497
		6,945	6,959
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	1.23	1.08
Diluted	11	1.18	0.91

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

Balance Sheets

As at 31 December 2016

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current assets					
Property, plant and equipment	12	23,381	19,458	2,577	531
Investment in subsidiaries	13	–	–	69,718	67,661
Investment in associates	14	2,000	7,793	–	–
Intangible assets	16	57,935	58,023	–	–
Finance lease receivables	17	1,677	1,456	–	–
Other financial receivable	18	1,621	1,454	–	–
Deferred tax assets	10	3,327	3,770	–	–
		89,941	91,954	72,295	68,192
Current assets					
Inventories	19	28,555	18,509	–	–
Trade and other receivables	20	90,866	80,856	59,150	36,605
Amount due from customers for contract work-in-progress	21	3,171	–	–	–
Finance lease receivables	17	1,299	1,234	–	–
Other assets	22	5,177	4,621	338	341
Cash and bank balances	23	65,413	22,724	19,376	471
		194,481	127,944	78,864	37,417
Total assets		284,422	219,898	151,159	105,609
Current liabilities					
Trade and other payables	24	57,557	49,316	14,317	7,139
Amount due to customers for contract work-in-progress	21	120	–	–	–
Other liabilities	25	4,748	3,713	–	–
Loans and borrowings	26	41,482	39,745	6,548	4,423
Income tax payables		1,500	1,194	–	–
		105,407	93,968	20,865	11,562
Net current assets		89,074	33,976	57,999	25,855
Non-current liabilities					
Deferred tax liabilities	10	1,120	1,146	–	–
Trade and other payables	24	277	3,255	–	–
Other liabilities	25	1,422	–	–	–
Loans and borrowings	26	9,013	17,610	375	8,250
Provisions	27	1,065	382	238	238
		12,897	22,393	613	8,488
Total liabilities		118,304	116,361	21,478	20,050
Net assets		166,118	103,537	129,681	85,559
Equity attributable to owners of the Company					
Share capital	28	114,456	86,953	114,456	86,953
Retained earnings		18,545	10,787	10,264	(5,163)
Other reserves	29	(9,706)	(15,911)	4,961	3,769
		123,295	81,829	129,681	85,559
Non-controlling interests		42,823	21,708	–	–
Total equity		166,118	103,537	129,681	85,559
Total equity and liabilities		284,422	219,898	151,159	105,609

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

Statements of Changes in Equity

For the financial year ended 31 December 2016

	Attributable to owners of the Company					
Group	Share capital (Note 28) $'000	Other reserves (Note 29) $'000	Retained earnings $'000	Equity attributable to owners of the Company $'000	Non controlling interests $'000	Total equity $'000
Balance as at 1 January 2016	86,953	(15,911)	10,787	81,829	21,708	103,537
Profit for the year	–	–	7,758	7,758	1,749	9,507
Other comprehensive income, net of tax						
Foreign currency translation	–	(1,705)	–	(1,705)	(857)	(2,562)
Total comprehensive income for the year	–	(1,705)	7,758	6,053	892	6,945
Contributions by and distributions to owners						
Issuance of ordinary shares for acquisitions of subsidiaries	7,300	–	–	7,300	–	7,300
Issuance of ordinary shares for acquisitions of non-controlling interests of subsidiaries without a change in control	17,838	–	–	17,838	–	17,838
Issuance of ordinary shares pursuant to PSP	2,294	(2,294)	–	–	–	–
Issuance of ordinary shares pursuant to ESOS	103	(40)	–	63	–	63
Share issuance expense	(32)	–	–	(32)	–	(32)
Share-based payments	–	2,520	–	2,520	–	2,520
Changes in ownership interests in subsidiaries						
Acquisition of subsidiaries	–	1,215	–	1,215	2,129	3,344
Disposal of subsidiaries	–	391	–	391	(5,935)	(5,544)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	(61)	(61)
Contributions from non-controlling shareholders of subsidiaries	–	–	–	–	37,018	37,018
Acquisitions/disposal of non-controlling interests of a subsidiary without a change in control	–	6,118	–	6,118	(12,928)	(6,810)
Total transactions with owners in their capacity as owners	27,503	7,910	–	35,413	20,223	55,636
Balance as at 31 December 2016	114,456	(9,706)	18,545	123,295	42,823	166,118

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

Statements of Changes in Equity

For the financial year ended 31 December 2016

Group	Share capital (Note 28) $'000	Other reserves (Note 29) $'000	Retained earnings $'000	Equity attributable to owners of the Company $'000	Non controlling interests $'000	Total equity $'000
	Attributable to owners of the Company					
Balance as at 1 January 2015	41,775	(620)	5,809	46,964	12,520	59,484
Profit for the year	–	–	4,978	4,978	2,729	7,707
Other comprehensive income, net of tax						
Foreign currency translation	–	(516)	–	(516)	(232)	(748)
Total comprehensive income for the year	–	(516)	4,978	4,462	2,497	6,959
Contributions by and distributions to owners						
Issuance of ordinary shares	3,000	–	–	3,000	–	3,000
Issuance of ordinary shares for acquisitions of subsidiaries and associates	41,135	–	–	41,135	–	41,135
Issuance of ordinary shares pursuant to PSP	1,075	(1,075)	–	–	–	–
Contributions from non-controlling interests	–	(466)	–	(466)	9,474	9,008
Dividends paid to non-controlling interests	–	–	–	–	(120)	(120)
Share issuance expense	(32)	–	–	(32)	–	(32)
Share-based payments	–	3,608	–	3,608	–	3,608
Changes in ownership interests in subsidiaries						
Acquisition of subsidiaries	–	–	–	–	100	100
Acquisitions/disposal of non-controlling interests of subsidiaries without a change in control	–	(16,842)	–	(16,842)	(2,763)	(19,605)
Total transactions with owners in their capacity as owners	45,178	(14,775)	–	30,403	6,691	37,094
Balance as at 31 December 2015	86,953	(15,911)	10,787	81,829	21,708	103,537

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

Statements of Changes in Equity

For the financial year ended 31 December 2016

Company	Share capital (Note 28) $'000	Retained earnings $'000	Other reserves (Note 29) $'000	Total equity $'000
Balance at 1 January 2016	86,953	(5,163)	3,769	85,559
Profit for the year, representing total comprehensive income for the year	–	15,427	–	15,427
Contributions by and distributions to owners				
Issuance of ordinary shares for acquisition of subsidiaries	25,138	–	1,215	26,353
Issuance of ordinary shares pursuant to PSP	2,294	–	(2,294)	–
Issuance of ordinary shares pursuant to ESOS	103	–	(40)	63
Share issuance expense	(32)	–	–	(32)
Share-based payments	–	–	2,311	2,311
Balance at 31 December 2016	114,456	10,264	4,961	129,681
Balance at 1 January 2015	41,775	(700)	1,236	42,311
Loss for the year, representing total comprehensive income for the year	–	(4,463)	–	(4,463)
Contributions by and distributions to owners				
Issuance of ordinary shares	3,000	–	–	3,000
Issuance of ordinary shares for acquisition of subsidiaries and associates	41,135	–	–	41,135
Issuance of ordinary shares pursuant to PSP	1,075	–	(1,075)	–
Share issuance expense	(32)	–		(32)
Share-based payments	–	–	3,608	3,608
Balance at 31 December 2015	86,953	(5,163)	3,769	85,559

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2016

	Group	
	2016 $'000	2015 $'000
Cash flows from operating activities		
Profit before tax	11,686	7,960
Adjustments for:		
Depreciation of plant and equipment	6,732	5,387
Amortisation of intangible assets	3,289	1,735
Intangible assets written off	–	31
Gain on disposal of plant and equipment	(1,020)	(233)
Gain on disposal of subsidiary	(21,878)	–
Gain on re-measurement of an associate pursuant to a step-up acquisition	(2,898)	–
Plant and equipment written off	98	15
Share-based payments	2,520	3,608
Share of results of associates	148	(221)
Interest income	(325)	(272)
Interest expenses	4,716	2,699
Gain on bargain purchase	(1,110)	–
Impairment loss on investment in associates	1,550	–
Net fair value loss on derivatives	247	–
Exchange differences	(1,189)	(218)
Operating cash flows before changes in working capital	2,566	20,491
Increase in inventories	(9,126)	(3,023)
Increase in amount due from customers for contract work-in-progress, net	(3,051)	–
Decrease in trade and other receivables	2,233	44
Increase in finance lease receivables	(5,382)	(2,209)
(Increase)/decrease in other assets	(907)	254
Increase in other liabilities	2,408	–
Increase/(decrease) in trade and other payables	1,065	(9,437)
Cash flows (used in)/generated from operations	(10,194)	6,120
Income taxes paid	(1,575)	(2,025)
Net cash flows (used in)/generated from operating activities	(11,769)	4,095
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,386)	(4,816)
Proceeds from disposal of property, plant and equipment	1,403	486
Additions to intangible assets	(248)	(116)
Net outflows from acquisitions of subsidiaries (Note 13)	(3,016)	(396)
Net cash on disposal of subsidiaries (Note 13)	25,831	173
Interest received	325	272
Net cash flows generated from/(used in) investing activities	11,909	(4,397)

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2016

	Group	
	2016 $'000	2015 $'000
Cash flows from financing activities		
Repayment of convertible redeemable preference shares (Note 26)	–	(1,221)
Share issuance expense	(32)	(32)
Proceeds from issuance of Employee Share Option Scheme	63	–
Contributions from non-controlling interests	37,018	9,474
Acquisitions of non-controlling interests	(1,063)	(17,118)
Dividends paid to non-controlling interests	(61)	(120)
(Placement)/release of fixed deposits pledged for bank facilities	(3,066)	184
Proceeds from loans and borrowings	162,064	93,791
Repayments of loans borrowings	(152,664)	(71,165)
Interest paid	(2,503)	(2,397)
Net cash flows from financing activities	39,756	11,396
Net increase in cash and cash equivalents	39,896	11,094
Effect of exchange rate changes on cash and cash equivalents	(189)	247
Cash and cash equivalents at beginning of the financial year	21,702	10,361
Cash and cash equivalents at end of the financial year (Note 23)	61,409	21,702

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION

Declout Limited (the "Company") is a public listed company, incorporated and domiciled in Singapore. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and principal place of business of the Company is located at 29 Tai Seng Avenue, #05-01 Natural Cool Lifestyle Hub, Singapore 534119.

The principal activities of the Company are those of investment holding, strategic management and corporate shared services. The principal activities of the subsidiaries are disclosed in Note 13 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 (FRS).

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

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

2.2 Changes in accounting policies

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

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 on or after*
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to FRS 112 *Classifications of the Scope of the Standard*	1 January 2017
Amendments to FRS 28 *Measuring an Associate or Joint Venture at fair value*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-based Payment transactions*	1 January 2018

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group derives its revenue mainly from the operations of its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 13. The performance obligations vary based on the business activities of the subsidiaries and the contractual terms with customers. Key issues for the Group include identifying performance obligations, accounting for contract modifications and determining fair values for separate performance obligations in contractual arrangements, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes. FRS 109 also requires the Group to record credit losses on all of its loans and receivables, either on a 12-month or lifetime basis.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109.

FRS 116 *Leases*

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

As disclosed in Note 32, the Group had entered into agreements for the rental of computer equipment, office premises, data centre racks and other office equipment. These rental terms are negotiated for an average term of one to four years and will be recognised on the balance sheet under FRS 116.

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

IFRS Convergence in 2018

Singapore-incorporated companies listed on the SGX-ST will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("SG-IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 31 December 2018.

Based on a preliminary assessment of the potential impact arising from SG-IFRS 1 First-time adoption of SG-IFRS, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised SG-IFRSs as set out in the preceding paragraphs.

Management will perform a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1.

2.4 Basis of consolidation and business combinations

Basis of consolidation

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss. In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

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 under Other Charges.

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 Subsidiaries

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

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less any allowance for impairment in value.

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheets at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.9 Revenue recognition

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

Sale of goods

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Revenue recognition (cont'd)

Rendering of services / Games hosting

Revenue from rendering of services and games hosting are recognised when the service is rendered.

Rental income

Rental 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.

Interest income

Interest income is recognised using the effective interest method.

Multi-element arrangements

Certain multi-element arrangements are offered whereby the sale of equipment is bundled together with services to be rendered over a specified period of time. With such multiple element arrangements, the amount recognised as revenue upon the sale of the equipment is the fair value of the equipment in relation to the fair value of the arrangement taken as a whole. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement, is recognised over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

Contract revenue

Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured. See Note 2.22 for the accounting policy on construction contracts.

2.10 Employee benefits

Defined contributions plans

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Share-based compensation

DeClout ESOS

For the equity-settled share-based compensation transactions, the value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share-based payment reserve. The total amount to be expensed on a straight-line basis over the vesting period is measured by reference to the fair value of the options granted ignoring the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are taken into account when estimating the fair value of the options. The fair value is measured using binomial lattice model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made on the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

DeClout PSP

Benefits to employees are provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted. These are fair valued based on the market price of the entity's shares. This fair value amount is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vesting, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

2.12 Leases

As lessee

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Leases (cont'd)

As lessor

For finance leases, an amount due from a lessee is recognised as receivables at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance leases.

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.9. Contingent rents are recognised as revenue in the period in which they are earned.

2.13 Taxes

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.

Deferred tax

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.13 Taxes (cont'd)

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

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

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

Sales tax

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

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

2.14 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Restoration costs are included as part of cost of the obligation for restoration is incurred as a consequence of acquiring or using the asset. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

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

Freehold buildings	-	50 years
Leasehold improvements	-	5 – 10 years
Restoration costs	-	5 years
Plant and equipment	-	3 – 6 years
Motor vehicles	-	5 – 10 years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 Intangible assets

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

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

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

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

Customer relationship	-	3 – 15 years
Customer contracts	-	3 – 5 years
Payment gateway	-	5 years
Technical know-how	-	5 – 7 years
Games related	-	2 – 3 years

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

2.16 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial instruments

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes derivative financial instruments entered into by the Group.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial instruments (cont'd)

Available for sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

<u>De-recognition</u>

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

Financial liabilities

<u>Initial recognition and measurement</u>

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.

<u>Subsequent measurement</u>

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Financial instruments (cont'd)

Financial liabilities carried at amortised cost

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.

De-recognition

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

2.18 Convertible redeemable preference shares

Convertible redeemable preference shares outstanding as at year end are accounted for as financial liability with an embedded equity conversion derivative based on the terms of the contract.

On issuance of the convertible redeemable preference shares, the embedded option is recognised at its fair value as derivative liability with subsequent changes in fair value recognised in profit or loss. The remainder of the proceeds is allocated to liability component that is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

2.19 Exchangeable loans

Exchangeable loans are accounted for as financial asset with an embedded equity conversion derivative based on the terms of the contract.

On acceptance of the exchangeable loans, the embedded option is recognised at its fair value as derivative asset with subsequent changes in fair value recognised in profit or loss.
The remainder of the proceeds is allocated to asset component that is carried at amortised cost until the asset is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the asset component and the equity conversion option are derecognised with a corresponding recognition of cost of investment.

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.20 Fair value hierarchy

The Group categorises fair value measurements 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 that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

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

2.21 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Construction contracts

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimate costs to complete.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2.23 Inventories

Inventories are stated at the lower of cost (first-in-first-out method or specific identification method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business and the estimated costs necessary to make the sale. 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.

2.24 Cash and cash equivalents

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

2.25 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 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.26 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.

2.27 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 Judgements made in applying accounting policies

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

(a) Consolidation of entities in which the Group holds less than 50%

In accounting for consolidation of an investee, judgement is required in determining whether it controls the investee. The Group considers Procurri Corporation Limited and its subsidiaries (the "Procurri Group"), as a controlled subsidiary as it has the power to exercise effective control and direct the activities of Procurri Group that most significantly affect its economic performance and has the exposure or rights to receive benefits from Procurri Group from its involvement. As of 31 December 2016, the Group has effective equity interest in Procurri Group of 47% (2015: 69%).

(b) Presentation of revenue (principal or agent)

Certain subsidiaries within the Group entered into sales arrangements with customers. The Group has applied judgements to determine if the Group is acting as principal or agent in these arrangements. In applying these judgements, management has considered whether the Group has the primary responsibility for providing the goods or services, its ability in establishing prices, and whether the Group bears inventory and credit risks. The Group revenue for the financial year ended 31 December 2016 was disclosed in Note 4.

Notes to the Financial Statements

For the financial year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

3.2 Key sources of estimation uncertainty

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

(a) Accounting for business combinations

In accounting for business combinations using the purchase price allocation method, judgement is required in determining the identification of the acquired assets and liabilities and allocating the purchase price into the various identifiable assets and liabilities acquired from the new business. The fair value measurement of assets and liabilities identified during acquisition is based on management's assessment of fair values. Fair value is the estimated amount for which these assets and liabilities could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction and involved appropriate valuation techniques where fair value is not readily observable from market data. In making this judgement and estimates, the Group evaluates, among other factors, the amount and timing of future cash flows expected from the assets and liabilities. During the financial year, the Group acquired several subsidiaries as disclosed in Note 13 to the financial statements.

(b) Impairment of intangible assets

As disclosed in Note 16 to the financial statements, the recoverable amounts of the cash generating units which goodwill and intangible assets have been allocated to are determined based on the fair value less cost of disposal or value in use, where appropriate. The assessment of recoverable amounts require use of judgment and estimates. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 16 to the financial statements. The carrying amount of intangible assets as at 31 December 2016 is disclosed in Note 16.

(c) Impairment of receivables

The Group and the Company assess at each statement of financial position date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's receivables at the end of the reporting period is disclosed in Note 20 to the financial statements.

(d) Allowance for inventories

Inventory is stated at the lower of cost and net realisable value (NRV). The determination of allowance for inventory write down to NRV requires management to exercise judgement in identifying slow-moving and obsolete inventories and make estimates of provision required. The carrying amount of inventory at the end of the reporting period is disclosed in Note 19 to the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(e) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 21 to the financial statements. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $159,000 (2015: $NIL) higher and $6,000 (2015: $NIL) higher respectively.

4. REVENUE

	Group	
	2016 $'000	2015 $'000
Trading sales	221,472	224,188
Rendering of services	63,104	48,857
Rental and leasing	4,984	3,275
Games hosting	685	3,146
Contract revenue	13,777	–
	304,022	279,466

5. OTHER INCOME

	Group	
	2016 $'000	2015 $'000
Gain on disposal of subsidiaries	21,878	–
Gain on re-measurement of an associate pursuant to a step-up acquisition	2,898	–
Gain on bargain purchase	1,110	–
Rental income	188	–
Interest income	325	272
Government grants	445	418
Commission income	–	147
Recovery of freight costs	479	495
Sales of other ancillary services	504	700
Sales of sample inventories	–	295
Others	1,009	209
	28,836	2,536

Notes to the Financial Statements

For the financial year ended 31 December 2016

6. OTHER CHARGES, NET

	Group	
	2016 $'000	2015 $'000
Items of expense		
Amortisation of intangible assets (Note 16)	(2,751)	(1,182)
Allowance for impairment on trade receivables (Note 20)	(144)	(813)
Inventories written off	(2,783)	(865)
Prepayment written off	(189)	(271)
Plant and equipment written off	(98)	(15)
Intangible assets written off	–	(31)
Impairment loss on associate (Note 14)	(1,550)	–
Fair value loss on derivatives	(247)	–
Others	(202)	(261)
	(7,964)	(3,438)
Items of income		
Foreign exchange gain, net	1,119	848
Gain on disposal of plant and equipment	1,020	233
Others	33	–
	2,172	1,081
	(5,792)	(2,357)

7. FINANCE COSTS

	Group	
	2016 $'000	2015 $'000
Interest expense on loans and borrowings	3,079	2,464
Imputed interest expense on redeemable exchangeable loan fully exchanged during the financial year	1,514	–
Imputed interest expense of convertible redeemable preference shares (Note 26)	123	235
	4,716	2,699

Notes to the Financial Statements

For the financial year ended 31 December 2016

8. PROFIT BEFORE TAX

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

	Group	
	2016 $'000	2015 $'000
Audit fees for auditors of the Company	420	247
Audit fees for other auditors	455	334
Non-audit fees for auditors of the Company	130	12
Non-audit fees for other auditors	203	164
Employee benefits expense (Note 9)	64,326	47,296
Rental of premises	4,671	3,103
Depreciation of property, plant and equipment	6,732	5,387
Amortisation of intangible assets	3,289	1,735
Professional fees	2,131	1,521

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016 $'000	2015 $'000
Directors' fees	271	231
Salaries, allowances, bonuses and commissions	55,052	38,692
Contributions to defined contribution plans	3,553	2,616
Share-based payments (Note 30)	2,520	3,608
Other benefits	2,930	2,149
	64,326	47,296
The employee benefits expense is included under:		
Administrative expenses	47,027	32,334
Cost of sales	7,599	5,475
Selling expenses	9,700	9,487
	64,326	47,296

Notes to the Financial Statements

For the financial year ended 31 December 2016

10. INCOME TAX EXPENSE

Major components of income tax expense recognised in profit or loss includes:

	Group	
	2016 $'000	2015 $'000
Current tax expense:		
Current tax expense	(2,655)	(1,871)
Over provision in respect of prior years	6	77
	(2,649)	(1,794)
Deferred tax credit:		
Current deferred tax credit	951	1,579
Under provision in respect of prior years	(481)	(38)
	470	1,541
Income tax expense recognised in profit or loss	(2,179)	(253)

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 years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016 $'000	2015 $'000
Profit before tax	11,686	7,960
Tax calculated at statutory rate of 17% (2015: 17%)	(1,987)	(1,353)
Effect of different tax rates in different countries	(618)	(428)
Non-deductible items	(4,414)	(1,414)
Income not subjected to tax	4,047	–
Tax exemptions	156	616
Tax incentives	1,412	1,381
Benefits from previously unrecognised tax losses	389	853
Merger and acquisition allowance	19	–
Deferred tax assets not recognised	(668)	–
(Under)/over provision in respect of prior years	(475)	39
Share of results of associates	32	38
Group relief	74	–
Others	(146)	15
Total income tax expense	(2,179)	(253)

10. INCOME TAX EXPENSE (cont'd)

Deferred tax credit recognised in profit or loss includes:

	Group	
	2016 $'000	2015 $'000
Differences in amortisation of intangible assets	(158)	281
Differences in depreciation for tax purposes	(229)	1,429
Unutilised tax losses	829	(209)
Unutilised capital allowances	75	(324)
Provision	(22)	215
Other temporary differences	(25)	149
Total deferred tax credit recognised in profit or loss	470	1,541

Deferred tax balance in balance sheets:

Deferred tax (liabilities)/assets:		
Arising from acquisitions of subsidiaries	(345)	(807)
Excess of tax values over net book value of plant and equipment/ (net book value of plant and equipment over tax values)	(816)	829
Unutilised tax losses	2,099	1,270
Unutilised capital allowances	877	802
Unutilised merger and acquisition allowances	131	–
Provision	346	368
Other temporary differences	(85)	162
	2,207	2,624
Presented in the balance sheets as follow:		
Deferred tax assets	3,327	3,770
Deferred tax liabilities	(1,120)	(1,146)
	2,207	2,624

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $366,000 (2015: $Nil) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

Unrecognised temporary differences relating to investments in subsidiaries and associates

The Group has not recognised deferred tax liability in respect of undistributed profits of subsidiaries because the distribution is controlled and there is currently no intention for the profits to be remitted to Singapore.

Such temporary differences for which no deferred tax liability has been recognised amounted to $11,253,000 (2015: $11,023,000). The deferred tax liability is estimated to be $2,593,000 (2015: $2,397,000).

Notes to the Financial Statements

For the financial year ended 31 December 2016

11. EARNINGS PER SHARE

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

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

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

	2016 $'000	2015 $'000
Profit, net of tax attributable to owners of the Company	7,758	4,978

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	631,220	460,706
Effect of dilutions:		
- Share options	994	933
- Contingently issuable performance shares	13,937	20,748
- Contingently issuable shares pursuant to acquisition of a subsidiary	13,500	66,863
Weighted average number of ordinary shares for diluted earnings per share computation	659,651	549,250

Notes to the Financial Statements

For the financial year ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings $'000	Leasehold improvements $'000	Restoration costs $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Cost:						
At 1 January 2015	6,300	3,243	238	17,820	211	27,812
Additions	–	395	–	6,239	96	6,730
Arising from acquisitions of subsidiaries	–	82	–	1,145	–	1,227
Disposals	–	(27)	–	(1,759)	(96)	(1,882)
Arising from disposal of subsidiaries	–	(21)	–	(44)	(7)	(72)
Write off	–	(29)	–	(66)	(5)	(100)
Transfer to intangible assets	–	–	–	(100)	–	(100)
Exchange differences	–	3	–	(1,041)	(58)	(1,096)
At 31 December 2015 and 1 January 2016	6,300	3,646	238	22,194	141	32,519
Additions	–	3,695	13	11,681	83	15,472
Arising from acquisitions of subsidiaries	–	64	7	267	146	484
Disposals	–	(1,064)	–	(3,556)	(2)	(4,622)
Arising from disposal of subsidiaries	–	(91)	–	(8,085)	(16)	(8,192)
Write off	–	(166)	–	(2,968)	–	(3,134)
Exchange differences	–	(108)	–	(123)	(9)	(240)
At 31 December 2016	6,300	5,976	258	19,410	343	32,287
Accumulated depreciation:						
At 1 January 2015	–	1,659	155	8,208	(28)	9,994
Depreciation for the year	–	746	47	4,517	77	5,387
Disposals	–	(26)	–	(1,586)	(17)	(1,629)
Write off	–	(17)	–	(63)	(5)	(85)
Exchange differences	–	–	–	(571)	(35)	(606)
At 31 December 2015 and 1 January 2016	–	2,362	202	10,505	(8)	13,061
Depreciation for the year	16	1,176	56	5,400	84	6,732
Disposals	–	(674)	–	(2,607)	(1)	(3,282)
Write off	–	(152)	–	(2,884)	–	(3,036)
Arising from disposal of subsidiaries	–	–	–	(4,403)	–	(4,403)
Exchange differences	–	(86)	–	(75)	(5)	(166)
At 31 December 2016	16	2,626	258	5,936	70	8,906
Net book value:						
At 31 December 2015	6,300	1,284	36	11,689	149	19,458
At 31 December 2016	6,284	3,350	–	13,474	273	23,381

Notes to the Financial Statements

For the financial year ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold improvements $'000	Restoration costs $'000	Plant and equipment $'000	Total $'000
Cost:				
At 1 January 2015	1,722	238	346	2,306
Additions	46	–	125	171
At 31 December 2015 and 1 January 2016	1,768	238	471	2,477
Additions	989	–	1,909	2,898
At 31 December 2016	2,757	238	2,380	5,375
Accumulated depreciation:				
At 1 January 2015	1,082	151	233	1,466
Depreciation for the year	351	48	81	480
At 31 December 2015 and 1 January 2016	1,433	199	314	1,946
Depreciation for the year	574	39	239	852
At 31 December 2016	2,007	238	553	2,798
Net book value:				
At 31 December 2015	335	39	157	531
At 31 December 2016	750	–	1,827	2,577

The depreciation expense is included under:

	Group 2016 $'000	Group 2015 $'000
Cost of sales	2,999	2,657
Administrative expenses	3,733	2,730
	6,732	5,387

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For the financial year ended 31 December 2016

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Purchase of plant and equipment (non-cash) by means of finance lease and other payables

There were acquisitions of plant and equipment by the Group with a total cost of $2,608,000 (2015: $1,174,000) and $1,567,000 (2015: $740,000) acquired by means of finance leases and other payables.

Assets held under finance leases

The carrying amounts of plant and equipment of the Group held under finance leases as at 31 December 2016 are $1,146,000 (2015: $1,683,000).

Assets kept for maintenance service contracts

Plant and equipment includes maintenance parts such as spare parts and stand-by equipment. The carrying amount as at 31 December 2016 is $6,278,000 (2015:$4,203,000).

Assets pledged as security

Three (2015: Two) freehold properties with carrying value of $6,284,000 (2015: $4,400,000) are pledged as security for certain bank loans.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 $'000	2015 $'000
Cost at the beginning of the year	67,661	36,148
Acquisition of subsidiary	14,295	–
Additional investment in subsidiaries	1,063	31,513
Disposal of investment in subsidiaries	(13,301)	–
Cost at the end of the year	69,718	67,661
Total cost comprising:		
Quoted equity shares at cost	20,657	–
Unquoted equity shares at cost	49,061	67,661

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For the financial year ended 31 December 2016

13. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of subsidiaries

The subsidiaries held by the Company are listed below:

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2016 %	2015 %
Held by DeClout Limited:			
Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") [(a)(g)] Singapore	Business of supply, rental and maintenance of computer hardware and peripheral equipment	–	72
Corous360 Pte. Ltd. ("Corous360") [(a)] Singapore	Business of provision of data centre services, co-location services and IT management services	75	75
Beaqon Pte. Ltd. ("Beaqon") [(a)] Singapore	Telecommunications resellers and third parties telecommunications providers	75	85
Procurri Corporation Limited ("Procurri Corp") [(a)(j)] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment and investment holding	47	69
DeClout (Shanghai) Co., Ltd. [(c)] China, Shanghai	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment	100	100
vCargo Cloud Pte Ltd ("vCargo Cloud") [(c) (k)] Singapore	Business of supply of trading and logistics IT solutions	50	–
DeClout Investments Pte Ltd [(d)(f)] Singapore	Dormant	100	–
Held through Acclivis:			
PT Acclivis Technologies and Solutions [(g)] Indonesia	Business of supply, rental and maintenance of computer hardware and peripheral equipment	–	100
Pacific Internet (S) Pte Ltd (Previously known as OSINet Communications Pte Ltd)("PI SG") [(a)(g)] Singapore	Business of Internet Service Provider, and provision of internet and data access	–	100
Acclivis Technologies (Thailand) Limited ("Acclivis Tech Thai") [(g)] Thailand	Investment holding	–	100
Acclivis Solutions (Thailand) Limited [(g)] Thailand	Investment holding	–	100

Notes to the Financial Statements

For the financial year ended 31 December 2016

13. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of subsidiaries (cont'd)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2016 %	2015 %
Held through Acclivis Tech Thai:			
Pacnet Internet (Thailand) Limited ("Pacnet Thai") [(g)] Thailand	Business of Internet Service Provider, and provision of internet and data access, data centre provider	–	100
Held through Pacnet Thai:			
World Net & Services Co., Ltd. [(g)] Thailand	Business of supply, rental and maintenance of computer hardware and peripheral equipment	–	100
Held through Corous360:			
Corous360 Sdn. Bhd. [(c)] Malaysia	Business of provision of data centre services, colocation services and IT management services	100	100
PT Corous Three Sixty [(c)] Indonesia	Dormant	100	100
Netipay Pte. Ltd. ("Netipay") [(d)] Singapore	Dormant	100	100
PT Max Interactives Technologies ("Maxitech") [(c)] Indonesia	Business of provision of mobile cellular, radio paging and other wireless telecommunications activities	100	100
Epicsoft Asia Pte. Ltd. ("Epicsoft Asia") [(a)] Singapore	Distribution of game softwares, game codes, and other related consumer products	100	100
Corous360 Information Technology (Shenzhen) Company Limited ("Corous360 Shenzhen") [(c)] China	Research and development in information technology ("IT") related activities and provision of IT consultancy services	100	100
Play-E Pte. Ltd. ("PlayE") [(a)] Singapore	Distribution of game softwares, game codes, and other related consumer products	100	75

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13. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of subsidiaries (cont'd)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2016 %	2015 %
Held through Play-E Pte Ltd:			
Play-E (Taiwan) Pte. Ltd. ("PlayE Taiwan") [d][f] Taiwan	Distribution of game softwares, game codes, and other related consumer products	75	–
PLAYe Hong Kong Limited ("PlayE Hong Kong") [d][i] Hong Kong	Distribution of game softwares, game codes, and other related consumer products	75	–
Held through Epicsoft Asia:			
Playworks Pte. Ltd. ("Playworks") [a] Singapore	Digital entertainment platform developer and operator	100	100
Held through Beaqon:			
Asia Wiring Systems Pte. Ltd. ("AWS Singapore") [a] Singapore	General importers and exporters of electronics and related equipment	100	100
Pacific Wave Pte. Ltd. ("Pacific Wave") [a] Singapore	Supply of components and services to telecommunication/cellular industry	100	100
TJ Systems (S) Pte. Ltd. ("TJ Systems") [a] [i] Singapore	Importer and exporter of electrical and electronic systems, devices and related items as well as designing, manufacturing, operating of electrical equipment and systems and related products	75	–
Held through AWS Singapore:			
PT AWS Distribution [c] Indonesia	General importers and exporters of electronics and related equipment	100	100
AWS Wire Works (Thailand) Co. Ltd [c] Thailand	Sales of electric wires and cables, spare parts related to such products	100	100
AWS Cambodia Ltd [g] Cambodia	General importers and exporters of electronics and related equipment	–	55

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13. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of subsidiaries (cont'd)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2016 %	2015 %
Held through Procurri Corp:			
Procurri Singapore Pte. Ltd. ("Procurri Singapore") [(a)] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment	100	100
Procurri Malaysia Sdn. Bhd. ("Procurri Malaysia") [(c)] Malaysia	Sales of all kinds of computer systems and hardware, provision of maintenance and related services, and rental of computer parts and fully configured servers	100	100
Procurri Asia Pacific Pte. Ltd. ("Procurri Asia Pacific") [(a)] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment	100	51
ASVIDA UK Limited [(c)] United Kingdom	Investment holding	100	100
Held through Procurri Asia Pacific:			
Procurri Beijing Co, Ltd [(d)] [(f)] China	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	–
Held through ASVIDA UK Limited:			
Procurri LLC [(e)] United States	Business of provision of information technology solutions	100	100
Tinglobal Holdings Limited ("Tinglobal") [(b)] United Kingdom	Investment holding	100	100
Held through Tinglobal:			
Tinglobal Limited [(h)] United Kingdom	Investment holding	–	100
Procurri UK Ltd [(b)] United Kingdom	Engage in the global market for the refurbishment and subsequent sale of second user and reconfigured mid-range to high end IT equipment	100	–

Notes to the Financial Statements

For the financial year ended 31 December 2016

13. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of subsidiaries (cont'd)

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

(a) Audited by Ernst & Young LLP in Singapore
(b) Audited by member firms of EY Global in the respective countries
(c) These subsidiaries are not significant to the Group and are audited by other firms of accountants
(d) Not audited, as it is not significant to the Group for financial year ended 31 December 2016
(e) Audited by other firms of accountants
(f) Incorporated during the year
(g) Disposed during the year
(h) Dissolved during the year
(i) Acquired during the year
(j) Entity consolidated under de-facto control
(k) 50.01% of equity held
(l) Procurri UK Ltd is held through Tinglobal Holding Limited after dissolved of Tinglobal Limited.

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For the financial year ended 31 December 2016

13. INVESTMENT IN SUBSIDIARIES (cont'd)

Acquisitions of subsidiaries and businesses

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

	PI SG business $'000	TJ Systems $'000	vCargo Cloud $'000	EAF $'000	Total $'000
Fair value of identifiable assets and liabilities					
Property, plant and equipment	–	170	116	198	484
Intangible assets	2,186	899	2,078	–	5,163
Inventories	–	699	–	2,100	2,799
Trade and other receivables	–	9,885	324	4,240	14,449
Other assets	–	304	8	568	880
Other financial liabilities	–	(17)	–	–	(17)
Trade and other payables	–	(12,655)	(228)	(3,740)	(16,623)
Other liabilities	–	(195)	–	(428)	(623)
Long term provision	–	(57)	–	–	(57)
Deferred tax (liabilities)/assets	–	(167)	(353)	175	(345)
Cash and cash equivalents	–	2,595	1,991	585	5,171
	2,186	1,461	3,936	3,698	11,281
Less: Non-controlling interests, measured at non-controlling interests share of identifiable net assets	–	(161)	(1,968)	–	(2,129)
Net assets acquired	2,186	1,300	1,968	3,698	9,152
Goodwill	1,113	1,700	12,840	–	15,653
Negative goodwill	–	–	–	(1,110)	(1,110)
Purchase considerations	3,299	3,000	14,808	2,588	23,695
Consideration transferred for the acquisitions					
Cash paid	3,299	–	2,300	2,588	8,187
Issuance of the Company's ordinary shares	–	3,000	4,300	–	7,300
Contingent consideration recognised at date of acquisition	–	–	1,215	–	1,215
Fair value of equity interest held by the Group immediately before step-up acquisition	–	–	6,993	–	6,993
Purchase considerations	3,299	3,000	14,808	2,588	23,695
Cash and cash equivalents of subsidiaries acquired	–	2,595	1,991	585	5,171
Less: Cash paid	(3,299)	–	(2,300)	(2,588)	(8,187)
Net inflows/(outflows) from acquisitions of subsidiaries	(3,299)	2,595	(309)	(2,003)	(3,016)

Acquisition of business by Pacific Internet (S) Pte Ltd

On 11 January 2016, Pacific Internet (S) Pte Ltd ("PI SG") acquired the business of Pacnet Internet (S) Pte Ltd ("Pacnet") for a cash consideration of $3,299,000. Transaction costs related to the acquisition of $165,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

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13. INVESTMENT IN SUBSIDIARIES (cont'd)

Acquisition of TJ Systems (S) Pte Ltd

On 21 January 2016, Beaqon Pte Ltd ("Beaqon") acquired TJ Systems (S) Pte Ltd ("TJ Systems") for a purchase consideration of $3,000,001. The consideration was satisfied with (a) $1 paid in cash; and (b) the allotment and issuance of 15,000,000 new ordinary shares in the capital of the Company ("Shares") at an issue price of $0.20 per share to the Vendor/or its permitted nominees. Upon the acquisition, TJ Systems became a 75% owned subsidiary of the Group. Transaction costs related to the acquisition of $6,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

Acquisition of vCargo Cloud Pte Ltd

On 23 June 2016, there was a step-up acquisition of an additional 20% of vCargo Cloud Pte Ltd ("vCargo Cloud") at a consideration of $14,808,000. The purchase consideration was satisfied with (a) $2,300,000 paid in cash; (b) contingent consideration of $2,700,000 representing 13,500,000 shares of the Company payable upon the achievement of certain operational targets as at 31 October 2017 by vCargo Cloud. The contingent consideration comprises separate tranches for each operational target, is conditional upon vCargo Cloud achieving each operational targets, namely (i) securing 50 new freight forwarders or shippers or a combination of both for its e-freight solution; (ii) securing another 50 new freight forwarders or shippers or a combination of both for the same e-freight solution subsequent to achieving first target; or (iii) establishing a platform for its trade and cargo cloud solution for two new ports. Management assessed on acquisition date the probability of vCargo Cloud in meeting the operational targets with its expansion plans and assessed the fair value of the contingent consideration to be $1,215,000 as at acquisition date and recognised the fair value of contingent consideration within Capital Reserves.; (c) fair value of 30% stake previously acquired at $6,993,000 and (d) allotment and issuance of 20,000,000 new ordinary shares in the capital of the Company ("Shares") at an issue price of $0.215 per share to the Vendor/or its permitted nominees. The re-measurement to fair value of the Group's existing 30% interest in vCargo Cloud resulted in a gain of $2,898,000. This amount has been recognised in other income, net in the income statement. Upon the acquisition, vCargo Cloud became a subsidiary of the Group, on a shareholding of 50.01%. Transaction costs related to the acquisition of $29,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

Acquisition of EAF Supply Chain Holdings Limited

On 8 November 2016, Procurri Corporation Limited ("Procurri") acquired the shareholdings in EAF Supply Chain Holdings Limited and its subsidiaries ("EAF") for a purchase consideration of approximately $2,588,000. The purchase consideration was settled fully in cash. Upon the acquisition, EAF Supply Chain Holdings became a 100% owned subsidiary of the Group. Transaction costs related to the acquisition of $188,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

Gain on bargain purchase

The Group recognised a gain of $1,110,000 as a result of the excess of the acquirer's interest in the net fair value of the identifiable assets and liabilities over the cost of the acquisition of EAF. The gain on bargain purchase represents deemed benefits to the buyers arising from long term synergies and benefits of being part of the Group's business ecosystem and is included in "Other income" in profit or loss.

Goodwill

Goodwill comprises the value of strengthening the Group's market position in the region, improved resilience to sector specific volatilities, and cost reduction synergies expected to arise from the acquisitions. See Note 16 of the financial statements for further details.

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13. INVESTMENT IN SUBSIDIARIES (cont'd)

Contributions from the acquired subsidiaries

The contributions from the acquired subsidiaries to the Group for the period between the date of acquisition and the end of the reporting year were as follows:

	TJ Systems $'000	vCargo Cloud $'000	EAF $'000	Total $'000
Contributions from date of acquisition				
Revenue	21,105	705	4,741	26,551
Profit/(loss), net of tax	1,149	(1,778)	145	(484)
Contributions for 2016 had the acquisition took place at the beginning of the year				
Revenue	21,814	1,246	32,942	56,002
Profit/(loss), net of tax	1,406	(2,489)	553	(530)

Disposal of subsidiaries

The carrying value of assets and liabilities of subsidiaries disposed and the effects of the disposal were as follows:

	AWS Cambodia $'000	Acclivis Group $'000	Total $'000
Carrying value of assets and liabilities			
Property, plant and equipment	109	3,680	3,789
Intangible assets	–	16,151	16,151
Finance lease receivables	–	4,894	4,894
Deferred tax assets	–	1,103	1,103
Inventories	881	1,744	2,625
Trade and other receivables	1,028	17,787	18,815
Other assets	43	1,186	1,229
Income tax payables	(30)	(638)	(668)
Trade and other payables	(1,671)	(11,419)	(13,090)
Other financial liabilities	–	(12,515)	(12,515)
Deferred tax liabilities	–	(118)	(118)
Provisions	–	(99)	(99)
Other liabilities	–	(652)	(652)
Cash and cash equivalents	899	3,398	4,297
	1,259	24,502	25,761
Less: Non-controlling interests	(591)	(5,344)	(5,935)
Net assets disposed	668	19,158	19,826
Sale consideration	778	41,317	42,095
Net assets de-recognised	(668)	(19,158)	(19,826)
Cumulative reserves in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	–	(391)	(391)
Gain on disposal	110	21,768	21,878
Cash proceeds received	778	29,350	30,128
Cash and cash equivalents disposed	(899)	(3,398)	(4,297)
Net cash on disposal of subsidiary	(121)	25,952	25,831

Notes to the Financial Statements

For the financial year ended 31 December 2016

13. INVESTMENT IN SUBSIDIARIES (cont'd)

Interest in subsidiaries with material non-controlling interest (NCI)

	Proportion of ownership interest held by NCI	Profit allocated to NCI during the year $'000	Accumulated NCI at the end of the year $'000
2016			
Procurri Corporation Pte. Ltd. and its subsidiaries ("Procurri Group")	52.7%	2,506	35,268
Beaqon Pte. Ltd. and its subsidiaries ("Beaqon Group")	25.0%	–	2,911
Corous360 Pte. Ltd. and its subsidiaries ("Corous Group")	24.7%	–	3,358
2015			
Procurri Corporation Pte. Ltd. and its subsidiaries ("Procurri Group")	31.0%	2,683	10,620
Acclivis Technologies and Solutions Pte. Ltd. and its subsidiaries ("Acclivis Group")	28.0%	–	5,344
Beaqon Pte. Ltd. and its subsidiaries ("Beaqon Group")	15.0%	–	1,746
Corous360 Pte. Ltd. and its subsidiaries ("Corous Group")	24.7%	–	3,358

The non-controlling interests of Acclivis Technologies and Solutions Pte. Ltd., Beaqon Pte Ltd and Corous360 Pte Ltd have irrevocably and absolutely assign to the Company all voting rights, dividend rights and claims to any profit or loss attributable, in respect of their shareholdings in Acclivis Technologies and Solutions Pte Ltd (until 31 December 2020), Beaqon Pte Ltd (until 31 December 2016) and Corous360 Pte Ltd (until 31 December 2018) respectively. Accordingly, no profit has been allocated to NCI.

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13. INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information about subsidiaries with material NCI

	Procurri Group $'000	Acclivis Group $'000	Beaqon Group $'000	Corous Group $'000
2016				
Summarised balance sheets				
Current assets	89,225	–	41,556	30,351
Current liabilities	(42,764)	–	(35,118)	(52,821)
Net current assets/(liabilities)	46,461	–	6,438	(22,470)
Non-current assets	27,858	–	13,635	30,656
Non-current liabilities	(7,236)	–	(2,608)	(2,087)
Net non-current assets	20,622	–	11,027	28,569
Net assets	67,083	–	17,465	6,099
Summarised statement of comprehensive income				
Revenue	135,750	44,206	72,752	58,034
Profit/(loss) before tax	7,614	4,797	3,129	(4,266)
Profit/(loss) after tax	5,139	4,480	3,212	(3,734)
Other comprehensive income	(3,063)	–	81	225
Total comprehensive income	2,076	4,480	3,293	(3,509)
Summarised other financial information				
Net increase in cash flows	25,074	–	1,226	3,554
Acquisition of property, plant and equipment	7,569	2,286	1,732	941
2015				
Summarised balance sheets				
Current assets	54,102	41,006	26,691	21,003
Current liabilities	(41,408)	(37,815)	(17,697)	(38,016)
Net current assets/(liabilities)	12,694	3,191	8,994	(17,013)
Non-current assets	26,780	19,190	10,860	34,370
Non-current liabilities	(5,149)	(2,450)	(4,969)	(1,446)
Net non-current assets	21,631	16,740	5,891	32,924
Net assets	34,325	19,931	14,885	15,911
Summarised statement of comprehensive income				
Revenue	122,815	56,592	48,832	53,034
Profit/(loss) before tax	9,997	(1,658)	2,758	1,511
Profit/loss after tax	8,772	(696)	2,607	1,615
Other comprehensive income	(403)	(641)	118	190
Total comprehensive income	8,369	(1,337)	2,725	1,805
Summarised other financial information				
Net increase/(decrease) in cash flows	(2,840)	5,109	2,749	5,820
Acquisition of property, plant and equipment	2,883	1,376	148	66

Notes to the Financial Statements

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13. INVESTMENT IN SUBSIDIARIES (cont'd)

Changes in shareholdings of subsidiary without change in control

Acquisition of non-controlling interest shareholdings in Procurri Asia Pacific Pte Ltd

On 11 January 2016, the Group acquired a 49% equity interest in Procurri Asia Pacific Pte Ltd, representing the remaining equity interest held by non-controlling interest for a consideration of $7,000,000. The consideration was satisfied by new issuance of the Company's shares. As a result, Procurri Asia Pacific Pte Ltd became a wholly-owned subsidiary of the Group. The transaction has been accounted for as an equity transaction with non-controlling interests. The difference, between the consideration paid and the carrying value of the additional interest acquired of $93,000, amounting to $6,907,000 was recorded within equity.

Dilution of shareholdings in Beaqon Pte Ltd ("Beaqon")

On 5 April 2016, Beaqon issued shares to its non-controlling interests pursuant to a Shareholder Agreement between the Company and the non-controlling interests of Beaqon. As a result, the Company's shareholding interest in Beaqon reduced to 75%. The transaction has been accounted for as an equity transaction with non-controlling interests. The difference, between the consideration received by Beaqon amounting to $100 and the carrying value of the additional interest diluted of $1,165,000, amounting to $1,164,900 was recorded within equity.

Partial disposal and dilution of Procurri Corporation Limited ("Procurri Corp")

In July 2016, the Company diluted its interest in Procurri Corp from 69% to 47% pursuant to the initial public offering of Procurri Corp. The Company continues to consolidate Procurri Corp as it is the single largest shareholder of Procurri Corp with wide dispersion of shareholdings amongst the other shareholders. The transaction has been accounted for as an equity transaction with the non-controlling interests exchanging $7,514,000 of exchangeable notes and subscribing for $37,005,000 of newly issued shares in Procurri Corp. The difference between the proceeds from the exchangeable loan received by the Company, the proceeds on subscription of shares received by Procurri Corp and the carrying value of the interest diluted of $23,434,000, amounting to S$21,085,000 was recorded within equity.

Acquisition of non-controlling interest shareholdings in Procurri Corp

On 20 July 2016, the Group acquired a 1% equity interest in Procurri Corp from its non-controlling interest for a consideration of $1,063,000 with cash. The transaction has been accounted for as an equity transaction with non-controlling interests. The difference, between the consideration paid and the carrying value of the additional interest acquired of $454,000, amounting to $609,000 was recorded within equity.

Acquisition of non-controlling interest shareholdings in Play-E Pte Ltd

On 26 August 2016, the Group acquired a 25% equity interest in Play-E Pte Ltd ("Play-E"), representing the remaining equity interest held by non-controlling interest for a consideration of $6,287,000 satisfied by shares of Company. As a result, Play E became a wholly-owned subsidiary of the Group. The transaction has been accounted for as an equity transaction with non-controlling interests. The difference, between the consideration paid and the carrying value of the additional interest acquired of $2,000, amounting to $6,285,000 was recorded within equity.

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14. INVESTMENT IN ASSOCIATES

	Group	
	2016 $'000	2015 $'000
AWS Distribution Phils Corp. ("AWS PH")	2,000	3,364
vCargo Cloud Pte. Ltd ("vCargo Cloud")	–	4,429
	2,000	7,793

During the year, an impairment loss amounting to $1,550,000 was made on AWS Distribution Phils Corp based on the estimated recoverable amount of the associate, after taking into account the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

The details of the associates are listed below:

Name of associates/ Principal place of business	Principal activities	Percentage of equity held	
		2016 %	2015 %
Held through Asia Wiring Systems Pte. Ltd.:			
AWS Distribution Phils Corp. [(a)] Philippines	General importers and exporters of electronic and related equipment	40	40
Held through Corous360:			
vCargo Cloud Pte. Ltd [(a)] [(b)] Singapore	Designs and implements cloud services and solutions in the logistics industry	–	30

(a) Audited by other firms of accountants.
(b) Pursuant to step-up acquisition during the year, this company became a subsidiary of the Group.

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14. INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information of associates which are both considered strategic to the Group due its principal activities, not adjusted for proportion ownership interest held by the Group, is as follows:

	vCargo Cloud 2015 $'000	AWS PH 2016 $'000	AWS PH 2015 $'000
Summarised balance sheets			
Current assets	527	11,153	10,990
Non-current assets	1,591	194	229
Total assets	2,118	11,347	11,219
Current liabilities	338	2,510	2,497
Non-current liabilities	382	–	95
Total liabilities	720	2,510	2,592
Group's share of net assets	419	3,535	3,451
Goodwill on acquisition	3,400	–	–
Impairment on an associate	–	(1,550)	–
Other adjustment	610	15	(87)
	4,429	2,000	3,364
Summarised statement of comprehensive income			
Revenue	1,032	10,573	8,813
Profit after tax, representing total comprehensive income	28	470	730

15. INVESTMENT IN A JOINT VENTURE

The Group has a 50% (2015: Nil) interest in the ownership and voting rights in a joint venture, DeClout Ventures Pte Ltd that is held through DeClout Investments Pte Ltd, its wholly-owned subsidiary. This joint venture is incorporated in Singapore, in 2016 and was dormant in 2016. The Group jointly controls the venture with other partner under the contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

Notes to the Financial Statements

For the financial year ended 31 December 2016

16. INTANGIBLE ASSETS

Group	Goodwill $'000	Customer relationship $'000	Customer contracts $'000	Technical know-how $'000	Payment gateway $'000	Games related & Trademarks $'000	Total $'000
Cost							
At 1 January 2015	25,610	1,830	246	–	2,479	383	30,548
Additions	–	–	–	2,598	116	–	2,714
Arising from acquisitions of subsidiaries	28,778	2,767	1,575	–	178	–	33,298
Write off	–	–	–	–	–	(383)	(383)
Transfer	(356)	–	–	–	356	–	–
Transfer from property, plant and equipment	–	–	–	–	100	–	100
Exchange differences	(484)	(7)	–	–	–	–	(491)
At 31 December 2015 and 1 January 2016	53,548	4,590	1,821	2,598	3,229	–	65,786
Additions	–	–	–	–	343	–	343
Disposals	–	–	(246)	–	–	–	(246)
Arising from acquisitions of subsidiaries	15,653	2,278	25	2,078	–	782	20,816
Disposal of subsidiaries	(12,723)	(3,845)	(25)	–	–	(782)	(17,375)
Write off	(4,215)	(882)	–	–	–	–	(5,097)
Exchange differences	(1,461)	(348)	–	–	–	–	(1,809)
At 31 December 2016	50,802	1,793	1,575	4,676	3,572	–	62,418
Accumulated amortisation and impairment							
At 1 January 2015	4,215	848	184	–	868	267	6,382
Amortisation for the year	–	879	137	–	634	85	1,735
Write off	–	–	–	–	–	(352)	(352)
Exchange differences	–	(2)	–	–	–	–	(2)
At 31 December 2015 and 1 January 2016	4,215	1,725	321	–	1,502	–	7,763
Amortisation for the year	–	1,382	541	589	731	46	3,289
Disposal	–	–	(246)	–	–	–	(246)
Write off	(4,215)	(882)	–	–	–	–	(5,097)
Disposal of subsidiaries	–	(1,178)	–	–	–	(46)	(1,224)
Exchange differences	–	(2)	–	–	–	–	(2)
At 31 December 2016	–	1,045	616	589	2,233	–	4,483
Net book value							
At 31 December 2015	49,333	2,865	1,500	2,598	1,727	–	58,023
At 31 December 2016	50,802	748	959	4,087	1,339	–	57,935

Notes to the Financial Statements

For the financial year ended 31 December 2016

16. INTANGIBLE ASSETS (cont'd)

Acquisition of intangible assets

There was an acquisition of intangible asset by the Group with a total cost of $Nil (2015: $2,598,000) acquired via the issuance of shares of the Company during the year (Note 13).

The amortisation expense is charged under:

	Group	
	2016 $'000	2015 $'000
Cost of sales	538	553
Other charges, net (Note 6)	2,751	1,182
At the end of the year	3,289	1,735

Goodwill

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

	Group	
	2016 $'000	2015 $'000
Name of cash generating units:		
Platform business	18,267	18,267
Maxitech	5,604	5,289
PI SG (Previously known as OSINet)	–	11,610
Tinglobal	9,335	10,813
Procurri Malaysia	2,645	2,943
Pacific Wave	411	411
TJ Systems	1,700	–
vCargo Cloud	12,840	–
	50,802	49,333

Platform business

In determining the recoverable amount of the cash generating unit ("CGU"), the Group considered the growth stage of the CGU and has determined recoverable amounts of the CGU based on value in use method. The Group also considered the imputed price to appropriate valuation multiples of the CGU.

The Platform business is still at a development phase and has limited historical information to rely on. The management has determined the fair value of the CGU based on the average of 4 times multiple of Gross Merchandise Value ("GMV") and 186 times of its registered users, a valuation methodology commonly applied by companies within similar industry for growth stage companies. The multiple derived was based on an average multiple ratio of selected comparable companies, taking into consideration factors unique to the CGU, including recent operating results, business plan and projections, anticipated future growth and cash flow. The multiple derived is sensitive to changes in market condition and competition in this CGU, and execution risk of the business plan. Management also considered the resulting valuation to revenue or earnings multiples of comparable companies.

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For the financial year ended 31 December 2016

16. INTANGIBLE ASSETS (cont'd)

In addition, management also used the discounted cash flow model covering a five-year period derived from a four-year (2015: three-year) budget and plans approved by management. The key assumptions for the value in use calculation are those regarding discount rates, growth rates and changes to the direct costs and operating costs during that period. The discount rate applied was 13% (2015: 13%), taking into account time value of money, individual risk of underlying assets and is comparable to market participants. The terminal growth rate used to extrapolate cash flow projections beyond the five-year period is 1% (2015: 2%). The growth rate is based on having new retail partners and new online users contributing revenue at an average revenue per retail shop and at an average spend of users respectively, improved users buying behaviour as well as inclusion of new income stream such as marketing income. Changes in direct cost and operating cost are based on the existing business development and expectations of future changes in the market.

No impairment charge was recognized as the carrying amount of the goodwill was lower than its recoverable amount. The carrying amount will not materially exceed its recoverable amount due to reasonable possible changes in any of the above key assumptions.

Maxitech

In determining the recoverable amount of the CGU, the Group considered the growth stage of the CGU and has determined recoverable amounts of the CGU based on value in use. The Group also considered the imputed price to appropriate valuation multiples of the CGU.

Maxitech is still at a development phase and has limited historical information to rely on. Management determined the fair value of the CGU based on 23.5 times the multiple of registered users, a valuation methodology commonly applied by companies within similar industry for growth stage companies. The multiple derived was based on an average multiple ratio of the selected comparable companies, taking into consideration factors unique to the CGU including recent operating results, business plan and projections, anticipated future growth and cash flow. The multiple derived is sensitive to future variances due to market condition change and competition in this CGU, and execution risk of business plan.

In addition, the management also determined the recoverable amount using the discounted cash flow model covering a five-year period derived from a five-year (2015: five year) budget and plans approved by management. The key assumptions for the value in use calculation are those regarding discount rates, growth rates, expected changes to customer base, selling price and direct cost during the period. The discount rate applied was 15% (2015: 15%), taking into account time value of money, individual risk of underlying assets and is comparable to market participants. The terminal growth rate used to extrapolate cash flow projections beyond the five-year period is 1% (2015: 1%). The growth rate is based on having new online users making a certain spend online, improved users spending behaviour as well as inclusion of new income stream in its drive to be a Fintech company. Changes in direct cost and operating cost are based on the existing business development and expectations of future changes in the market. No impairment charge was recognized as the carrying amount of the goodwill was lower than its recoverable amount. The carrying value will not materially exceed its recoverable amount due to reasonable possible changes in any of the above key assumptions.

Tinglobal

The recoverable amount was determined based on the value in use method. The value in use was measured by management using a discounted cash flow model covering a five-year period (2015: four-year period). Cash flow projections were based on a three-year budget and plans approved by management. Cash flow projections have been extrapolated on the basis at 20% (2015: 20%) growth rate. A terminal growth rate of 1% (2015: 1%) was used on cash flows after the fifth (2015: fourth) year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 7% (2015: 9%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants.

Notes to the Financial Statements

For the financial year ended 31 December 2016

16. INTANGIBLE ASSETS (cont'd)

No impairment charge was recognised as the carrying amount of the goodwill was lower than its recoverable amount. The carrying value will not materially exceed its recoverable amount due to reasonable possible changes in any of the above key assumptions.

Procurri Malaysia

The recoverable amount was determined based on the value in use method. The value in use was measured by management using a discounted cash flow model covering a five-year period (2015: four-year period). Cash flow projections were based on a three-year budget and plans approved by management. Cash flow projections have been extrapolated on the basis at 20% (2015: 20%) growth rate. A terminal growth rate of 1% (2015: 1%) was used on cash flows after the fifth (2015: fourth) year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (WACC) was 10% (2015: 16%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognised as the carrying amount of the goodwill was lower than its recoverable amount. The carrying value will not materially exceed its recoverable amount due to reasonable possible changes in any of the above key assumptions.

Pacific Wave

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 three-year period (2015: three-year period). Cash flow projections were based on a three-year budget and plans approved by management on a 15% (2015: 15%) growth rate. A terminal growth rate of 2% (2015: 2%) was used. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (WACC) was 12% (2015: 12%) taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognised as the carrying amount of the goodwill was lower than its recoverable amount. The carrying value will not materially exceed its recoverable amount due to reasonable possible changes in any of the above key assumptions.

TJ Systems

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 three-year period. Cash flow projections were based on a three-year budget and plans approved by management on a 15% growth rate. A terminal growth rate of 2% was used. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (WACC) was 12% taking into account time value of money, individual risk of underlying assets and is comparable to market participants. No impairment charge was recognised as the carrying amount of the goodwill was lower than its recoverable amount. The carrying value will not materially exceed its recoverable amount due to reasonable possible changes in any of the above key assumptions.

vCargo Cloud

As of 31 December 2016, the Group considered vCargo Cloud to be at a development stage and determined fair value of the CGU based on a market comparable approach, a valuation methodology commonly used by companies within similar industry for growth stage companies. The valuation also considered the consideration paid by the Group for the acquisition during the year and took into consideration factors unique to the CGU, including the achievement of milestones in business plan and projections, anticipated future growth and cash flows. No impairment was recognized as the carrying amount of the goodwill was lower than its recoverable amount.

Notes to the Financial Statements

For the financial year ended 31 December 2016

17. FINANCE LEASE RECEIVABLES

Group	Minimum payments $'000	Finance charges $'000	Present value $'000
2016			
Minimum lease payments receivable:			
Due within one year	1,466	(167)	1,299
Due between two to five years	1,782	(105)	1,677
Total	3,248	(272)	2,976
2015			
Minimum lease payments receivable:			
Due within one year	1,348	(114)	1,234
Due between two to five years	1,517	(61)	1,456
Total	2,865	(175)	2,690

The average lease term is two to five years (2015: two to five years). The average effective interest rate is 2.35% to 7.72% (2015: 1.7% to 7.0%) 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.

18. OTHER FINANCIAL RECEIVABLE

	Group	
	2016 $'000	2015 $'000
Nominal value of exchangeable loan	1,350	1,350
Embedded derivatives	(35)	(35)
	1,315	1,315
Interest accreted	100	20
Unrealised foreign exchange	206	84
Fair value loss on derivatives	(35)	–
Embedded derivatives	35	35
	1,621	1,454

The exchangeable loan is exchangeable to ordinary shares in Games First International Corp ("Games First"). The exchange terms are based on an agreed formula with a discount on the valuation of shares in Games First. In the event the exchangeable loan is not exchanged into ordinary shares of Games First, the loan will be repayable on 31 August 2018. The interest rate on the exchangeable loan is 5% per annum. There has been no conversion as at year ended 31 December 2016.

The fair values of the asset component and the embedded derivatives were measured at date the exchangeable loan was issued (Level 3). The valuation of exchangeable loan is based on various inputs including current loan face value, risk free rate, maturity date, exchange price, Initial Public Offering discount factor and probability of exchange. The interest income recognised in the profit or loss is calculated using the effective interest rate method at 6% to the asset component for the period the exchangeable loan was issued.

Notes to the Financial Statements

For the financial year ended 31 December 2016

19. INVENTORIES

	Group	
	2016 $'000	2015 $'000
Finished goods	28,555	18,509
Cost of inventories charged to profit or loss	166,296	171,478

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables				
Outside parties [(a)]	66,341	72,286	–	–
Less allowance for impairment	(587)	(582)	–	–
	65,754	71,704	–	–
Associates	4,492	126	–	–
Unbilled receivables	616	3,840	–	–
	70,862	75,670	–	–
Other receivables				
Outside parties	20,004	5,186	16,386	34
Subsidiaries [(b)]	–	–	42,764	36,571
	20,004	5,186	59,150	36,605
Total trade and other receivables	90,866	80,856	59,150	36,605
Add: Finance lease receivables	2,976	2,690	–	–
Add: Other financial receivable [(c)]	1,621	1,419	–	–
Add: Other assets (refundable deposits)	1,218	535	251	239
Add: Cash and bank balances	65,413	22,724	19,376	471
Total loans and receivables	162,094	108,224	78,777	37,315

(a) Included within trade receivables from outside parties are factored receivables of $2,726,000 (2015: $695,000) transferred to a factoring bank.

(b) The amounts due from subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

(c) Exclude embedded derivatives

Notes to the Financial Statements

For the financial year ended 31 December 2016

20. TRADE AND OTHER RECEIVABLES (cont'd)

Receivables that are past due but not impaired

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

	Group	
	2016 $'000	2015 $'000
Trade receivables past due but not impaired		
Less than 30 days	14,252	25,862
30 - 60 days	8,010	11,534
61 - 90 days	4,974	9,466
Over 90 days	12,159	9,956
	39,395	56,818

Receivables that are impaired

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

	Group	
	2016 $'000	2015 $'000
Trade receivables – nominal amounts	587	582
Less: Allowance for impairment	(587)	(582)
	–	–
Movements in allowance for impairment		
Balance at beginning of the year	582	113
Charge for the year (Note 6)	144	813
Written off	(139)	(344)
Balance at end of the year	587	582

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

21. AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group	
	2016 $'000	2015 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	13,310	–
Less: Progress billings	(10,259)	–
	3,051	–
Gross amount due from customers for contract work-in-progress	3,171	–
Gross amount due to customers for contract work-in-progress	(120)	–
	3,051	–

22. OTHER ASSETS

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Refundable deposits	1,218	535	251	239
Prepayments	3,532	3,951	87	102
Advances to suppliers	97	101	–	–
Others	330	34	–	–
	5,177	4,621	338	341

23. CASH AND BANK BALANCES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash and bank balances	65,413	22,724	19,376	471
Less: Bank overdrafts (Note 26)	(548)	(632)	–	–
Less: Pledged deposits [a]	(456)	(390)	–	–
Less: Fixed deposit	(3,000)	–	–	–
Cash and cash equivalents	61,409	21,702	19,376	471

[a] These amounts held by the bank as security for trust receipts and bank overdrafts (Note 26).

Cash at bank earns interest at floating rate based on bank deposit rates. The effective interest rate as at 31 December 2016 for the Group was 0.5% (2015: 1.2%).

Fixed deposit is made for a period of 6 months and earns interest at 1.08% (2015: nil).

Notes to the Financial Statements

For the financial year ended 31 December 2016

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables (current)				
Outside parties	25,739	25,439	–	–
Accrued liabilities	5,007	3,977	–	455
	30,746	29,416	–	455
Other payables (current)				
Outside parties	3,281	2,177	225	254
Accrued liabilities	22,626	16,295	11,378	–
Subsidiaries [(a)]	–	–	2,714	6,430
Directors of subsidiary [(d)]	904	1,428	–	–
	26,811	19,900	14,317	6,684
Trade and other payables (current)	57,557	49,316	14,317	7,139
Other payables (non-current)				
Directors of subsidiary [(b)]	250	955	–	–
Outside parties	27	2,300	–	–
Trade and other payables (non-current)	277	3,255	–	–
Total trade and other payables	57,834	52,571	14,317	7,139
Add: Loans and borrowings [(c)]	50,116	57,188	6,923	12,673
Total financial liabilities carried at amortised cost	107,950	109,759	21,240	19,812

[(a)] The amounts owing to subsidiaries are non-trade in nature, unsecured, interest-free and is repayable on demand.

[(b)] The amounts owing to directors of subsidiary are non-trade in nature, unsecured, interest-free and is only repayable after 31 December 2017 (2015: 31 December 2016).

[(c)] Excludes embedded derivatives.

[(d)] The amounts owing to directors of subsidiary are non-trade in nature, unsecured, interest-free and is repayable on demand (2015: The amounts owing to directors of subsidiary are non-trade in nature, unsecured, bear interest at 1% per month and is repayable on demand).

25. OTHER LIABILITIES

	Group	
	2016 $'000	2015 $'000
Advanced billings, current	4,748	3,713
Advanced billings, non-current	1,422	–
Total	6,170	3,713

Notes to the Financial Statements

For the financial year ended 31 December 2016

26. LOANS AND BORROWINGS

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current				
Bank loans	12,805	11,928	6,201	4,423
Bank overdrafts	548	632	–	–
Finance lease obligations	1,024	1,038	347	–
Trade receivables factoring	2,726	556	–	–
Trust receipts	23,802	24,134	–	–
Others	577	1,457	–	–
Current, total	41,482	39,745	6,548	4,423
Non-current				
Bank loans	5,760	14,476	–	8,250
Convertible redeemable preference shares	1,149	1,026	–	–
Finance lease obligations	1,330	525	375	–
Embedded derivative	379	167	–	–
Others	395	1,416	–	–
Non-current, total	9,013	17,610	375	8,250
Total	50,495	57,355	6,923	12,673

Bank loans

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Current				
Bank loans (secured)	297	3,992	167	2,923
Bank loans (unsecured)	12,508	7,936	6,034	1,500
Current, total	12,805	11,928	6,201	4,423
Non-current				
Bank loans (secured)	1,498	9,878	–	8,250
Bank loans (unsecured)	4,262	4,598	–	–
Non-current, total	5,760	14,476	–	8,250
Total	18,565	26,404	6,201	12,673

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26. LOANS AND BORROWINGS (cont'd)

Bank loans (secured) are secured by corporate guarantee by subsidiaries, fixed deposits and/or freehold properties of the Group. It is repayable in 24 to 240 (2015: 24 to 240) monthly instalments or based on agreed repayment schedule. The amount bears effective interest rates ranging between 0.75% over the bank's commercial financing rate and 2.5% over the 3 months SWAP rate (2015: 0.75% over the bank's commercial financing rate and 2.5% over the 3 months SWAP rate) per annum.

Bank loans (unsecured) are covered by a corporate guarantee by the Company and/or its subsidiary and repayable in 6 to 48 (2015: 36 to 48) monthly instalments or rollover at each repayment date. The amount bears effective interest rates ranging between 2.5% (2015: 2.5%) over the bank's cost of fund and 4.5% (2015: 4.5%) per annum.

The term loans are subject to floating rate of interest and thus, is a reasonable approximation of the fair value.

Bank overdrafts

Bank overdrafts bear effective interest rates ranging from 2.5% to 2.8% (2015: 8.8% to 9.0%) per annum. They are guaranteed by certain directors of a subsidiary and/or secured by pledged deposits.

Convertible redeemable preference shares

	Group	
	2016 $'000	2015 $'000
Nominal value of convertible redeemable preference shares issued, representing net proceeds	2,000	2,000
Embedded derivatives identified	(98)	(98)
Repayment	(1,221)	(1,221)
Interest accreted	468	345
Liability component at end of the year	1,149	1,026

On 30 May 2014, Corous360 has issued 2,000,000 convertible redeemable preference shares ("CRPS") at an issue price of $1.00 per CRPS to an investor for an aggregate consideration of $2.0 million. CRPS holder has no voting rights. The CRPS are convertible to ordinary shares in Corous360 in the event of (i) an initial public offering ("IPO"); or (ii) a trade sale or (iii) a merger and acquisition of Corous360, in accordance to the terms and conditions of the subscription agreement. The conversion rates are based on an agreed formula. In the event that the CRPS are not converted into ordinary shares of Corous360, Corous360 shall redeem the CRPS in the following manner (i) redeem 50% of the CRPS in cash at any time between 30 November 2014 and 30 November 2015; and the remaining 50% of the CRPS in cash on 30 May 2018. Corous360 shall be obliged to redeem the CRPS at an amount equal to $1.00 per CRPS plus any applicable interest. The interest rate upon redemption is 8% per annum. 50% of the CRPS was redeemed on 30 November 2015.

Notes to the Financial Statements

For the financial year ended 31 December 2016

26. LOANS AND BORROWINGS (cont'd)

The proceeds received from the CRPS have been allocated between the liability element and an embedded derivative, which represents the fair value of the embedded option to convert liability to shares in Corous360. The fair values of the liability component and the embedded derivatives were measured at date the CRPS was issued (Level 3).

The valuation of convertible redeemable preference shares is based on various inputs including current CRPS face value, risk free rate, maturity date, IPO discount factor and probability of conversion. The interest expense recognised in the profit or loss is calculated using the effective interest rate method at 8% to the liability component for the period the CRPS were issued. Had the probability of conversion increased/decreased by 10%, profit or loss will decrease/increase by $44,000 respectively.

Finance lease obligations

	Group			Company		
Group	**Minimum payments $'000**	**Finance charges $'000**	**Present value $'000**	**Minimum payments $'000**	**Finance charges $'000**	**Present value $'000**
2016						
Minimum lease payments payable:						
Due within one year	1,091	(67)	1,024	400	(53)	347
Due between two to five years	1,356	(35)	1,321	400	(25)	375
Due after five years	11	(2)	9	–	–	–
Total	2,458	(104)	2,354	800	(78)	722
2015						
Minimum lease payments payable:						
Due within one year	1,088	(50)	1,038	–	–	–
Due between two to five years	544	(27)	517	–	–	–
Due after five years	10	(2)	8	–	–	–
Total	1,642	(79)	1,563	–	–	–

The Group leases certain of its plant and equipment under finance lease obligations. The average lease term is two to seven years (2015: two to seven years). The interest rate for finance lease obligations is approximately 2.35% to 7.83% (2015: 2.35% to 3.50%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. The fair value of the finance lease payables approximates the carrying value.

Trade receivables factoring

Trade receivables factoring of $2,726,000 (2015: $695,000) is secured by a charge over trade receivables balances on a recourse basis (Note 20) and guaranteed by a corporate guarantee given by the Company.

Trust receipts

Trust receipts are guaranteed by a corporate guarantee given by the Company and /or secured by a fixed deposit of $868,000 (2015: $100,000). The interest rate for the trust receipts approximates 2.55% to 3.62% (2015: 2.24% to 4.10%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2016

27. PROVISIONS

Provision for dismantling and removing items and restoring the site relating to property, plant and equipment are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Movements				
At beginning of the year	382	308	238	238
Additions	757	74	–	–
Disposal of subsidiary	(74)	–	–	–
At end of the year	1,065	382	238	238

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

28. SHARE CAPITAL

	Number of issued shares	Share capital $'000
Ordinary shares of no par value		
Balance at 1 January 2015	334,841,108	41,775
Issue of ordinary shares	15,000,000	3,000
Issue of ordinary shares pursuant to acquisition of subsidiaries, associates and non-controlling interests	183,833,922	41,135
Issue of ordinary shares pursuant to the DeClout Performance Share Plan (Note 30)	4,942,500	1,075
Shares issuance expense	–	(32)
Balance at 31 December 2015	538,617,530	86,953
Issue of ordinary shares pursuant to acquisition of subsidiaries, associates and non-controlling interests	123,263,060	25,138
Issue of ordinary shares pursuant to the DeClout Performance Share Plan ("PSP") (Note 30)	9,053,500	2,294
Issue of ordinary shares pursuant to the Employee Share Option Scheme ("ESOS")	334,884	103
Shares issuance expense	–	(32)
Balance at 31 December 2016	671,268,974	114,456

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

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29. OTHER RESERVES

Group	Other reserve $'000	Foreign currency translation reserve $'000	Capital reserve $'000	Share-based payment reserve (Note 30) $'000	Total $'000
2016					
At beginning of the year	(2,250)	(643)	(16,787)	3,769	(15,911)
Share-based payments	–	–	–	2,520	2,520
Acquisitions of subsidiaries	–	–	1,215	–	1,215
Disposal of subsidiaries	–	547	(156)	–	391
Acquisitions/disposal of non-controlling interests of subsidiaries without a change in control, net	–	–	6,118	–	6,118
Issuance of PSP (Note 30)	–	–	–	(2,294)	(2,294)
Issuance of ESOS (Note 30)	–	–	–	(40)	(40)
Exchange differences	–	(1,705)	–	–	(1,705)
At end of the year	(2,250)	(1,801)	(9,610)	3,955	(9,706)
2015					
At beginning of the year	(2,250)	(127)	521	1,236	(620)
Share-based payments	–	–	–	3,608	3,608
Acquisition/disposal of non-controlling interests of subsidiaries without a change in control	–	–	(466)	–	(466)
Contributions from non-controlling interest	–	–	(16,842)	–	(16,842)
Issuance of PSP (Note 30)	–	–	–	(1,075)	(1,075)
Exchange differences	–	(516)	–	–	(516)
At end of the year	(2,250)	(643)	(16,787)	3,769	(15,911)

Company	Capital reserve $'000	Share-based payment reserve (Note 30 $'000)	Total $'000
2016			
At beginning of the year	–	3,769	3,769
Share-based payments	–	2,311	2,311
Acquisitions of subsidiary	1,215	–	1,215
Issuance of PSP (Note 30)	–	(2,294)	(2,294)
Issuance of ESOS (Note 30)	–	(40)	(40)
At end of the year	1,215	3,746	4,961
2015			
At beginning of the year	–	1,236	1,236
Share-based payments	–	3,608	3,608
Issuance of PSP (Note 30)	–	(1,075)	(1,075)
At end of the year	–	3,769	3,769

29. OTHER RESERVES (cont'd)

Other reserve

Other reserve comprises the difference between the purchase consideration and the share capital of the subsidiaries under the pooling-of-interests method of accounting.

Capital reserve

Capital reserve 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.

30. SHARE-BASED COMPENSATION

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Employee share option scheme	668	541	668	541
Performance share plan	3,287	3,228	3,078	3,228
Share-based payment reserve	3,955	3,769	3,746	3,769

Employee share option scheme

In 2012, the Company introduced a share incentive plan for its employees, namely the DeClout Employee share option scheme ("DeClout ESOS"). The DeClout ESOS was approved pursuant to a written resolution passed by the shareholders on 5 October 2012.

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

- Ho Chew Thim (Chairman of the RC and independent and non-executive director)
- Hew Koon Chan (Independent and non-executive director)
- Ch'ng Li-Ling (Independent and non-executive director)

Subject to the absolute discretion of the RC, options may be granted to the following Groups of participants under the DeClout ESOS:

- group employees;
- group directors (including group executive directors, group non-executive directors and independent directors); and
- controlling shareholders or associates of controlling shareholder who fall within the above categories (subject to the rules of the DeClout ESOS).

The grant of options to each controlling shareholders or associates of controlling shareholders shall be subject to specific approval by the independent shareholders in a general meeting.

The aggregate number of shares which the RC may grant the options on any date, when added to (i) the number of shares issued and issuable and/or transferred or transferable in respect of all options granted thereunder, and (ii) all shares issued and issuable and/or transferred or transferable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company for the time being in force, including the awards granted under the DeClout Performance Share Plan shall not exceed 15% of the issued share capital (excluding treasury shares) of the Company on the date preceding the offering date.

Notes to the Financial Statements

For the financial year ended 31 December 2016

30. SHARE-BASED COMPENSATION (cont'd)

Offers for the grant of options may be made at any time from time to time at the discretion of the RC. The options are exercisable within 6 to 9 years from the commencement of the exercise period.

The exercise price for each option shall be determined by the RC at its absolute discretion, and fixed by the RC at:

- a price ("Market Price") equal to the average of the last dealt price for the shares on Catalist for the five (5) consecutive market days immediate preceding the relevant date of grant of the relevant Option; or

- a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the RC in its absolute discretion, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the Market Price (or such other percentage or amount as may be determined by the RC and prescribed or permitted for the time being by the SGX-ST), and the prior approval of shareholders have been obtained at a general meeting, in a separate resolution, for the grant of options under the scheme at a discount not exceeding the maximum discount as aforesaid.

The table below summarises the number of options that were outstanding, their exercise price as at the end of the reporting year as well as the movement during the reporting year.

Exercise period From	To	Number of options outstanding as at beginning of the year	Number of options granted during the year	Number of options exercised during the year	Number of options outstanding as at end of the year	Exercised price $
2016						
10 May 2015	9 May 2023	1,674,418	–	(167,442)	1,506,976	0.1881*
10 May 2016	9 May 2023	1,674,418	–	(167,442)	1,506,976	0.1881*
10 May 2017	9 May 2023	2,232,557	–	–	2,232,557	0.1881*
2 January 2015	1 January 2024	600,000	–	–	600,000	0.1290
2 January 2016	1 January 2024	600,000	–	–	600,000	0.1290
2 January 2017	1 January 2024	800,000	–	–	800,000	0.1290
		7,581,393	–	(334,884)	7,246,509	
2015						
10 May 2015	9 May 2023	1,674,418	–	–	1,674,418	0.1881*
10 May 2016	9 May 2023	1,674,418	–	–	1,674,418	0.1881*
10 May 2017	9 May 2023	2,232,557	–	–	2,232,557	0.1881*
2 January 2015	1 January 2024	600,000	–	–	600,000	0.1290
2 January 2016	1 January 2024	600,000	–	–	600,000	0.1290
2 January 2017	1 January 2024	800,000	–	–	800,000	0.1290
		7,581,393	–	–	7,581,393	

* Adjusted pursuant to the completion of the Rights Issue in 2013

At the end of the reporting year, there were no unissued shares of the Company or any subsidiary under option.

The estimate of the grant date fair value of each option issued is based on a binomial lattice model. In order to approximate the expectations that would be reflected in a current market or negotiated exchange price for these options, the calculations take into consideration factors like behavioural considerations and non-transferability of the options granted.

Notes to the Financial Statements

For the financial year ended 31 December 2016

30. SHARE-BASED COMPENSATION (cont'd)

Employee share option scheme reserve

	Group and Company	
	2016 $'000	2015 $'000
Balance at beginning of the year	541	373
Expense recognised in profit or loss	167	168
Issuance of ESOS (Note 29)	(40)	–
Balance at end of the year	668	541

Performance share plan

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

The participants of the DeClout PSP are similar to those of the DeClout ESOS. The share awards to each controlling shareholders or associates of controlling shareholders shall be subject to specific approval by the independent shareholders in a general meeting.

The total number of shares which may be issued or transferred pursuant to the awards granted under the DeClout PSP, when added to (i) the number of shares issued or issuable and/or transferred or transferrable in respect of all awards granted thereunder; and (ii) all shares issued or issuable and/or transferred or transferrable under any other share incentive schemes adopted by the Company for the time being in force, shall not exceed 15% of the issued share capital (excluding treasury shares) of the Company on the day preceding the relevant award date.

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 up to three years. The fair value of the awards granted was based on the last traded price of the Company's shares on the date of grant.

Notes to the Financial Statements

For the financial year ended 31 December 2016

30. SHARE-BASED COMPENSATION (cont'd)

The table below summarises the number of 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 PSP outstanding as at beginning of year	Number of PSP granted during the year	Number of shares issued during the year	Number of PSP forfeited during the year	Number of PSP outstanding as at end of year	Market price $
2016						
1 July 2014	1,000,000	–	(1,000,000)	–	–	0.280
8 July 2014	525,000	–	(525,000)	–	–	0.285
13 August 2014	4,200,000	–	(1,800,000)	–	2,400,000	0.265
1 October 2014	4,800,000	–	(2,400,000)	–	2,400,000	0.260
13 January 2015	5,000,000	–	(2,500,000)	–	2,500,000	0.230
24 March 2015	500,000	–	–	–	500,000	0.245
14 August 2015	1,232,500	–	(362,500)	–	870,000	0.230
20 May 2016	–	1,944,000	–	–	1,944,000	0.225
4 July 2016	–	5,435,000	–	–	5,435,000	0.220
18 July 2016	–	932,000	(466,000)	–	466,000	0.225
	17,257,500	8,311,000	(9,053,500)	–	16,515,000	
2015						
1 November 2013	1,500,000	–	(1,500,000)	–	–	0.114
2 January 2014	400,000	–	–	(400,000)	–	0.129
1 July 2014	2,000,000	–	(300,000)	(700,000)	1,000,000	0.280
8 July 2014	750,000	–	(225,000)	–	525,000	0.285
13 August 2014	6,000,000	–	(1,800,000)	–	4,200,000	0.265
1 October 2014	6,700,000	–	(400,000)	(1,500,000)	4,800,000	0.260
13 January 2015	–	6,000,000	–	(1,000,000)	5,000,000	0.230
24 March 2015	–	1,000,000	(500,000)	–	500,000	0.245
14 August 2015	–	1,450,000	(217,500)	–	1,232,500	0.230
	17,350,000	8,450,000	(4,942,500)	(3,600,000)	17,257,500	

Performance share plan reserve

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance at beginning of the year	3,228	863	3,228	863
Expense recognised in profit or loss	2,353	3,440	2,144	3,440
Issuance of PSP (Note 29)	(2,294)	(1,075)	(2,294)	(1,075)
Balance at end of the year	3,287	3,228	3,078	3,228

Notes to the Financial Statements

For the financial year ended 31 December 2016

31. RELATED PARTY TRANSACTIONS

Significant related party transactions

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2016 $'000	2015 $'000
Sales to related parties – non-controlling shareholder	1,000	8,162
Sales to related parties – entities controlled by non-controlling shareholder	22,060	–
Sales to related parties – key management personnel	–	111
Sales to associate	7,394	4,450
Purchases from related parties – non-controlling shareholder	8,187	7,443
Disposal of a subsidiary to related party – key management personnel	–	248

The above related party transactions are with companies in which non-controlling shareholders, certain subsidiaries' directors or key management personnel have interest in.

Key management compensation

	Group	
	2016 $'000	2015 $'000
Salaries and other short-term employee benefits	8,647	3,618
Share-based payments	1,405	1,408
	10,052	5,026

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

	Group	
	2016 $'000	2015 $'000
Key management compensation comprises the following:		
Fees to directors of the Company	393	176
Remuneration of directors of the Company	6,470	1,714
Remuneration of other key management personnel	3,189	3,136
	10,052	5,026

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Notes to the Financial Statements

For the financial year ended 31 December 2016

31. RELATED PARTY TRANSACTIONS (cont'd)

The information on directors and key management personnel participating in DeClout ESOS is as follows:

Participants	Number of options outstanding as at beginning of the year	Number of options granted during the year	Number of options exercised/ cancelled/ lapsed during the year	Number of options outstanding as at end of the year
2016				
Directors	2,790,697	–	–	2,790,697
Other key management personnel	3,790,696	–	(334,884)	3,455,812
	6,581,393	–	(334,884)	6,246,509
2015				
Directors	2,790,697	–	–	2,790,697
Other key management personnel	3,790,696	–	–	3,790,696
	6,581,393	–		6,581,393

The information on directors and key management personnel participating in DeClout PSP is as follows:

Participants	Number of PSP outstanding as at beginning of the year or date of appointment	Number of PSP granted during the year	Number of PSP issued/ forfeited during the year	Number of PSP outstanding as at end of the year
2016				
Directors	2,125,000	1,944,000	(1,791,000)	2,278,000
Other key management personnel	5,832,500	3,367,000	(3,162,500)	6,037,000
	7,957,500	5,311,000	(4,953,500)	8,315,000
2015				
Directors	2,350,000	–	(225,000)	2,125,000
Other key management personnel	5,100,000	3,450,000	(2,717,500)	5,832,500
	7,450,000	3,450,000	(2,942,500)	7,957,500

32. COMMITMENTS

Operating lease commitments – as lessee

At the end of the financial year, the total of future minimum lease payment commitments under non-cancellable operating leases is as follows:

	Group	
	2016 $'000	2015 $'000
Not later than one year	3,303	3,059
Later than one year and not later than five years	6,864	1,801
More than five years	510	–
	10,677	4,860

Notes to the Financial Statements

For the financial year ended 31 December 2016

32. COMMITMENTS (cont'd)

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

Operating lease commitments – as lessor

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

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

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

Capital commitments

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2016

33. FINANCIAL INSTRUMENT: INFORMATION ON FINANCIAL RISKS

Financial risk management

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The management reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. 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 and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Credit risk concentration profile

At the end of the reporting period, approximately 8% (2015: 7%) of the Group's trade receivables were due from a customer.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 20.

Notes to the Financial Statements

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33. FINANCIAL INSTRUMENT: INFORMATION ON FINANCIAL RISKS (cont'd)

Liquidity risk

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

Analysis of financial instruments by remaining contractual maturities

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

Group	Less than 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
2016				
Finance lease receivables	1,466	1,782	–	3,248
Trade and other receivables	90,866	–	–	90,866
Other financial receivables	–	1,734	–	1,734
Other assets (refundable deposits)	1,218	–	–	1,218
Amount due from customers for contract work-in-progress	3,171	–	–	3,171
Cash and cash equivalents	65,413	–	–	65,413
	162,134	3,516	–	165,650
Gross borrowings commitments	(42,200)	(8,385)	(917)	(51,502)
Trade and other payables	(57,557)	(277)	–	(57,834)
Amounts due to customers for contract work-in-progress	(120)	–	–	(120)
	(99,877)	(8,662)	(917)	(109,456)
Total net undiscounted financial assets/(liabilities)	62,257	(5,146)	(917)	56,194
2015				
Finance lease receivables	1,348	1,517	–	2,865
Trade and other receivables	80,856	–	–	80,856
Other financial receivables	–	1,634	–	1,634
Other assets (refundable deposits)	535	–	–	535
Cash and cash equivalents	21,702	–	–	21,702
	104,441	3,151	–	107,592
Gross borrowings commitments	(40,584)	(16,656)	(951)	(58,191)
Trade and other payables	(49,316)	(3,455)	–	(52,771)
	(89,900)	(20,111)	(951)	(110,962)
Total net undiscounted financial assets/(liabilities)	14,541	(16,960)	(951)	(3,370)

Notes to the Financial Statements

For the financial year ended 31 December 2016

33. FINANCIAL INSTRUMENT: INFORMATION ON FINANCIAL RISKS (cont'd)

Company	Less than 1 year $'000	2 to 5 years $'000	Total $'000
2016			
Trade and other receivables	59,150	–	59,150
Other assets (refundable deposits)	251	–	251
Cash and cash equivalents	19,376	–	19,376
	78,777	–	78,777
Gross borrowings commitments	(6,785)	(400)	(7,185)
Trade and other payables	(14,317)	–	(14,317)
	(21,102)	(400)	(21,502)
Total net undiscounted financial assets/(liabilities)	57,675	(400)	57,275
2015			
Trade and other receivables	36,605	–	36,605
Other assets (refundable deposits)	239	–	239
Cash and cash equivalents	471	–	471
	37,315	–	37,315
Gross borrowings commitments	(4,885)	(8,258)	(13,143)
Trade and other payables	(7,139)	–	(7,139)
	(12,024)	(8,258)	(20,282)
Total net undiscounted financial assets/(liabilities)	25,291	(8,258)	17,033

The undiscounted amounts on the bank borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity profile are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

Financial guarantee contracts

For financial guarantee contracts, the maximum earliest period in which the guarantee could be called is disclosed. At the end of the reporting year no claims on the financial guarantees are expected. The following table shows the maturity profile of the contingent liabilities from financial guarantees:

	Group	
	2016 $'000	2015 $'000
Corporate guarantee to banks in favour of loans taken up by subsidiaries and are repayable		
Within one year	22,300	30,415
Between two to five years	2,605	6,457
	24,905	36,872

33. FINANCIAL INSTRUMENT: INFORMATION ON FINANCIAL RISKS (cont'd)

Interest rate risk

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.

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Financial assets				
Fixed rate	2,975	2,690	–	–
Financial liabilities				
Fixed rate	30,951	31,917	6,756	1,500
Floating rate	19,545	25,438	167	11,173
	50,496	57,355	6,923	12,673

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2015: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $195,000 (2015: $254,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment, showing a higher volatility as in prior years.

Foreign currency risk

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

Analysis of amounts denominated in non-functional currencies:

	United States Dollar ("USD")	
Group	2016 $'000	2015 $'000
Financial assets		
Cash and bank balances	4,565	5,723
Trade and other receivables	20,010	18,433
Total	24,575	24,156
Financial liabilities		
Trade and other payables	(10,734)	(4,755)
Loans and borrowings	(1,450)	–
Total	(12,184)	(4,755)
Net financial assets	12,391	19,401

Notes to the Financial Statements

For the financial year ended 31 December 2016

33. FINANCIAL INSTRUMENT: INFORMATION ON FINANCIAL RISKS (cont'd)

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 USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group	
		2016 $'000	2015 $'000
SGD/USD	– strengthened 10% (2015: 10%)	(1,239)	(1,940)
	– weakened 10% (2015: 10%)	1,239	1,940

34. CAPITAL MANAGEMENT

The objectives when managing capital are to safeguard the reporting entity's ability to continue as a going concern so that it can continue to provide returns for owners and benefits for other stakeholders. 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 adjustment to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends and return capital to owners, issue new shares, or sell assets to reduce debt. Capital comprises all components of equity.

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

	Group	
	2016 $'000	2015 $'000
Total loans and borrowings (Note 26)	50,495	57,355
Less: Cash and bank balances (Note 23)	(65,413)	(22,724)
Net debt/(cash)	(14,918)	34,631
Total equity	166,118	103,537
Debt-to-capital ratio	- #	33%

not meaningful

35. SEGMENT INFORMATION

Information about reportable segment profit or loss, assets and liabilities

For management purposes, the Group is organised into the following major strategic operating segments that offer different products and services: (1) IT infrastructure sales and services, (2) vertical domain clouds and (3) corporate. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

(a) IT infrastructure sales and services ("IT Infra")

This segment forms the building blocks of all technology and marketplace companies, providing business relating to including but not limited to, the supply, management and maintenance of IT equipment and telecommunication equipment, provision of IT and network services, and the provision of network and security solutions to all companies.

(b) Vertical domain clouds ("VDCs")

This segment provides business of domain-focused platforms and communities with net-work effects that define business and lifestyle trends, such as the E-commerce, E-trade and E-logistics solutions.

(c) Corporate

This segment comprises business of corporate income such as dividend income, rental income and management fees derived from subsidiary companies.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on prices agreed between the parties. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. The primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation, amortisation, interests, income taxes, impairment of goodwill and gain on bargain purchase (called "EBITDA") and (2) profit before tax.

Notes to the Financial Statements

For the financial year ended 31 December 2016

35. SEGMENT INFORMATION (cont'd)

Profit or loss from continuing operations and reconciliations

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities:

	IT Infra $'000	VDCs $'000	Corporate $'000	Total $'000
2016				
Revenue by segment				
Total revenue by segment	266,794	66,078	–	332,872
Inter-segment sales	(21,463)	(7,387)	–	(28,850)
Revenue from third parties	245,331	58,691	–	304,022
EBITDA	25,607	(3,285)	4,541	26,863
Amortisation of intangible assets	(1,963)	(1,361)	35	(3,289)
Depreciation of property, plant and equipment	(5,657)	(248)	(827)	(6,732)
Finance costs	(1,613)	(849)	(2,254)	(4,716)
Impairment loss on investment in associate	(1,550)	–	–	(1,550)
Gain on bargain purchase	1,110	–	–	1,110
Profit before tax	15,934	(5,743)	1,495	11,686
Income tax expense				(2,179)
Profit, net of tax				9,507
Profit attributable to non-controlling interests				(1,749)
Profit attributable to owners of the Company				7,758
2015				
Revenue by segment				
Total revenue by segment	241,063	56,122	–	297,185
Inter-segment sales	(14,542)	(3,177)	–	(17,719)
Revenue from third parties	226,521	52,945	–	279,466
EBITDA	21,126	4,464	(7,809)	17,781
Amortisation of intangible assets	(928)	(807)	–	(1,735)
Depreciation of property, plant and equipment	(4,639)	(207)	(541)	(5,387)
Finance costs	(1,261)	(534)	(904)	(2,699)
Profit before tax	14,298	2,916	(9,254)	7,960
Income tax expense				(253)
Profit, net of tax				7,707
Profit attributable to non-controlling interests				(2,729)
Profit attributable to owners of the Company				4,978

Notes to the Financial Statements

For the financial year ended 31 December 2016

35. SEGMENT INFORMATION (cont'd)

Assets and reconciliations

	IT Infra $'000	VDCs $'000	Corporate $'000	Unallocated $'000	Total $'000
2016					
Total assets for reportable segment	170,002	72,417	38,676	–	281,095
Deferred tax assets	–	–	–	3,327	3,327
Total assets	170,002	72,417	38,676	3,327	284,422
2015					
Total assets for reportable segment	161,208	53,577	1,343	–	216,128
Deferred tax assets	–	–	–	3,770	3,770
Total assets	161,208	53,577	1,343	3,770	219,898

Liabilities and reconciliations

	IT Infra $'000	VDCs $'000	Corporate $'000	Unallocated $'000	Total $'000
2016					
Total liabilities for reportable segment	73,219	23,699	18,766	–	115,684
Deferred and current tax liabilities	–	–	–	2,620	2,620
Total liabilities	73,219	23,699	18,766	2,620	118,304
2015					
Total liabilities for reportable segment	94,276	18,796	949	–	114,021
Deferred and current tax liabilities	–	–	–	2,340	2,340
Total liabilities	94,276	18,796	949	2,340	116,361

Other material items and reconciliations

	IT Infra $'000	VDCs $'000	Corporate $'000	Total $'000
Impairment of assets				
2016	1,550	–	–	1,550
2015	–	31	–	31
Expenditures for non-current assets				
2016	11,586	1,332	2,897	15,815
2015	9,091	182	171	9,444

Notes to the Financial Statements

For the financial year ended 31 December 2016

35. SEGMENT INFORMATION (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical locations of the Group are as follow:

	Revenue		Non-current assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore	187,977	159,010	68,646	62,810
Americas	60,418	59,744	503	1,098
Europe	37,437	41,666	10,073	11,611
Others	18,190	19,046	4,094	9,755
	304,022	279,466	83,316	85,274

Non-current assets information presented above consist of property, plant and equipment, intangible assets and investment in associates as presented in the balance sheets.

Information about major customers

Revenue from one major customer amounted to 3% and 25% (2015: 3% and 12%) of revenue recorded by the IT and VDCs segment respectively.

36. EVENTS AFTER THE END OF THE REPORTING YEAR

(a) On 9 January 2017, the Company purchased 22,990,488 shares from its shareholders at a price of $0.315 amounting to $7,242,000 pursuant to an Equal Access Offer announced in November 2016. The shares are being kept as treasury shares of the Company.

(b) On 23 January 2017, Procurri Corp entered into an operating agreement with Congruity LLC to provide a platform for the sale of refurbished technology hardware and to provide third party IT maintenance and support services customers. Procurri LLC, a 47% owned subsidiary of Procurri Corp and Congruity LLC will incorporate a Delaware limited liability company, Rockland Congruity LLC (the "JV Company"). Procurri LLC shall subscribe for a 51%, and Congruity LLC shall subscribe for a 49%, membership interest in the JV Company for US$51 and US$49 respectively. Under the terms of the operating agreement, Congruity shall assign to Procurri LLC its right to distributions in respect of its 49% interest in the JV Company, for the period commencing from the date of incorporation of the JV Company to 31 December 2018.

(c) On 8 February 2017, vCargo Cloud Pte Ltd, a direct 50.01% subsidiary of the Company incorporated a wholly-owned subsidiary, vCargo Cloud Kenya Limited., in Kenya with a registered share capital of US$100,000. The principal activities are those to provide consultancy and IT solutions and outsourcing services for the trade facilitation and logistics industry.

(d) On 15 February 2017, 9,991,000 ordinary shares in the capital of the Company was issued from treasury shares pursuant to the vesting of share awards granted under the DeClout Performance Share Plan.

37. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 29 March 2017.

Statistics of Shareholdings

As at 17 March 2017

SHARE CAPITAL INFORMATION

Number of shares	:	671,268,974	
Class of shares	:	Ordinary shares	
Voting rights	:	On a poll	: One vote for each ordinary share*
Number of treasury shares	:	12,999,488	
Percentage of treasury shares against total number of issued ordinary shares (excluding treasury shares)	:	1.97%	

* The Company cannot exercise any voting rights a respect of shares held by it as treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of shareholders	%	Number of Shares	%
1 – 99	18	1.54	283	0.00
100 – 1,000	32	2.74	22,976	0.00
1,001 – 10,000	193	16.52	1,405,052	0.21
10,001 – 1,000,000	859	73.55	86,663,967	13.17
1,000,001 and above	66	5.65	570,177,208	86.62
TOTAL	**1,168**	**100.00**	**658,269,486**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	119,921,600	18.22
2	RAFFLES NOMINEES (PTE) LTD	56,427,662	8.57
3	UOB KAY HIAN PTE LTD	38,943,200	5.92
4	OCBC SECURITIES PRIVATE LTD	27,110,900	4.12
5	DBSN SERVICES PTE LTD	19,385,200	2.94
6	KGI SECURITIES (SINGAPORE) PTE LTD	19,282,200	2.93
7	DBS NOMINEES PTE LTD	18,282,500	2.78
8	KOW YA (GAO YA)	16,996,900	2.58
9	NOMURA SINGAPORE LIMITED	15,403,400	2.34
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	15,123,100	2.30
11	HONG LEONG FINANCE NOMINEES PTE LTD	13,875,800	2.11
12	OAN CHIM SENG	12,349,600	1.88
13	WONG KOK KHUN	12,051,300	1.83
14	LIM HUI HOON IRENE (LIN HUIYUN IRENE)	11,441,446	1.74
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	10,743,600	1.63
16	KOH SU SAN	10,447,000	1.59
17	LOW HENG SIONG	9,965,900	1.51
18	CHUA CHYE LEE	9,938,100	1.51
19	CIMB SECURITIES (SINGAPORE) PTE LTD	7,512,966	1.14
20	MAYBANK KIM ENG SECURITIES PTE LTD	7,175,911	1.09
	TOTAL	452,378,285	68.73

Statistics of Shareholdings

As at 17 March 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct interest		Deemed interest	
Name of substantial shareholders	Number of shares held	%	Number of shares held	%
3RD SPACE PTE LTD[1]	53,044,570	8.06	–	–
WONG KOK KHUN[1]	26,877,000	4.08	53,044,570	8.06
WONG POH LENG	78,150,000	11.87	–	–
BRIARWOOD MANAGEMENT LIMITED[2]	48,829,400	7.42	–	–
LEE HOO LENG[2]	–	–	48,829,400	7.42

Notes:

(1) 3rd Space Pte Ltd is wholly-owned by Wong Kok Khun. Wong Kok Khun is deemed to have an interest in the shares held by 3rd Space Pte Ltd by virtue of Section 7 of the Companies Act.

(2) Briarwood Management Limited is wholly-owned by Lee Hoo Leng. Lee Hoo Leng is deemed to have an interest in the shares held by Briarwood Management Limited by virtue of Section 7 of the Companies Act.

PUBLIC FLOAT

Based on the information available to the Company as at 17 March 2017, at least 56.0% of the issued ordinary shares of the Company (excluding treasury shares) is held by the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly the Company has complied with Rule 723 of the Catalist Rules.

Notice of Annual General Meeting

(Company Registration No.: 201017764W)
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NOTICE IS HEREBY GIVEN that the annual general meeting ("**AGM**") of DeClout Limited (the "**Company**") will be held at M Hotel, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Thursday, 27 April 2017 at 2.00 p.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement and the Auditors' Report thereon.

(Resolution 1)

2. To re-elect the following Directors retiring pursuant to the articles of the Company's constitution (the "**Constitution**"):

Ms Cheryl Tan Choo Huang (Article 116) **(Resolution 2a)**
Ms Kow Ya (Article 106) **(Resolution 2b)**
Mr Hew Koon Chan (Article 106) **(Resolution 2c)**

Mr Hew Koon Chan will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee, member of the Nominating and Remuneration Committees, and shall be considered independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**").

[See Explanatory Note (a)]

3. To approve the payment of additional Independent Directors' fees of S$90,000 for the financial year ended 31 December 2016 and Directors' fees of up to S$293,000 for the financial year ending 31 December 2017. (2016: up to S$333,000)

[See Explanatory Note (b)] **(Resolution 3)**

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

(Resolution 4)

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

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares

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

(a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of bonus, rights or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

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

(i) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuant to the Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued Shares in the capital of the Company (excluding treasury shares), of which the aggregate number of Shares and convertible securities in the Company to be issued other than on a pro rata basis to the existing shareholders of the Company ("**Shareholders**") shall not exceed 50% of the total number of issued Shares (excluding treasury shares), and for the purpose of determining the aggregate number of Shares and Instruments that may be issued under this resolution, the percentage of the total number of issued Shares (excluding treasury shares) at the time this resolution is passed, after adjusting for:

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

(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 Catalist Rules; and

(3) any subsequent bonus issue, consolidation or subdivision of Shares;

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

[See Explanatory Note (d)] **(Resolution 6)**

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

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

9. Proposed renewal of the share buy back mandate

"That for the purposes of the Companies Act and the Catalist Rules:

(a) the Directors be hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire issued Shares each fully paid-up not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases ("**Market Purchase**"), transacted on the Catalist board of the SGX-ST ("**Catalist**") through the ready market or through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases ("**Off-Market Purchase**") (if effected otherwise than on Catalist) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Catalist Rules;

(b) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors pursuant to the proposed renewal of the share buy back mandate may be exercised by the Directors at any time and from time to time during the relevant period commencing from the date of this resolution and expiring on the earliest of:

(i) the date on which the next AGM is held or required by law or the Constitution to be held;

(ii) the date on which the authority contained in the share buy back mandate is varied or revoked by Shareholders in a general meeting; or

(iii) the date on which the proposed share buy backs are carried out to the full extent mandated;

(c) in this resolution:

"**Maximum Limit**" means that number of issued Shares representing 10% of the issued ordinary Shares of the Company as at the date of the passing of this resolution (excluding treasury shares held by the Company as at the date of the passing of this resolution) unless the Company has, at any time during the

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relevant period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the relevant period, made an order under Section 78I of the Companies Act confirming the reduction of the share capital of the Company, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered by special resolution of the Company or the order of the court, as the case may be; and

"**Maximum Price**" means the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share in the event of any proposed share buy back determined by the Directors, subject to compliance with the Catalist Rules, where applicable, but in any event, not exceeding the maximum price, which:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as hereinafter defined),

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) market days on Catalist, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five (5)-market day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution."

[See Explanatory Note (f)] **(Resolution 8)**

BY ORDER OF THE BOARD

Teo Meng Keong
Company Secretary

12 April 2017

Singapore

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EXPLANATORY NOTES:

(a) The key information of Ms Cheryl Tan Choo Huang, Ms Kow Ya and Mr Hew Koon Chan can be found in the annual report. All of them, if re-appointed as Directors of the Company (pursuant to ordinary resolutions 2a, 2b and 2c, respectively), will remain as Directors of the Company. Save for their respective shareholding interests, direct or indirect, in the Company, there are no relationships including immediate family relationships between Ms Cheryl Tan Choo Huang, Ms Kow Ya and Mr Hew Koon Chan and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

(b) The ordinary resolution 3 above is to request shareholders' approval for additional Independent Directors' fees to meet the shortfall in the amount payable for the financial year ended 31 December 2016. The amount approved at the AGM last year was insufficient due to additional fees payable to the Independent Directors during the financial year for them to attend additional meetings held dedicated to the special projects in the financial year ended 31 December 2016 on top of their basic Directors' fees.

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

(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 total, 100% of the issued Shares excluding treasury shares at the time of passing of this resolution, of which up to 50% may be issued other than on a pro rata basis to Shareholders.

(d) The ordinary resolution 6 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.

(e) The ordinary resolution 7 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.

(f) The ordinary resolution 8 above, if passed, renews the share buy back mandate and will authorise the Directors from the date of the above AGM until the earliest of the date when the next AGM is held or required by law to be held, or the date on which the authority contained in the share buy back mandate is varied or revoked by the Company in a general meeting, or the date on which the proposed share buy backs are carried out to the full extent mandated to purchase up to 10% of the total number of issued Shares (excluding treasury shares) as at the date of passing ordinary resolution 8. Please refer to the appendix to the notice of AGM dated 12 April 2017 for further details.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than 2 proxies to attend, speak and vote at the AGM. A proxy needs not be a member of the Company. Where a member appoints more than 1 proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form (expressed as a percentage of the whole).

2. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints

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more than 2 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

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

5. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the Company's Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898 not later than 48 hours before the time set for the AGM.

6. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register as defined under the Securities and Futures Act, Chapter 289 of Singapore, he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares.

8. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

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

PERSONAL DATA PRIVACY

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

Corporate Information

COMPANY INFORMATION
DeClout Limited
Company Registration No:
201017764W

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
29 Tai Seng Avenue
#05-01 Natural Cool Lifestyle Hub
Singapore 534119
T: +65 6818 1833
F: +65 6341 1123

STOCK EXCHANGE LISTING
Listed on Singapore Exchange –
Catalist SGX Code: 5UZ

BOARD OF DIRECTORS
- Wong Kok Khun
  (Chairman and Group Chief Executive Officer)
- Kow Ya
  (Executive Director)
- Cheryl Tan Choo Huang
  (Executive Director, Finance)
- Ho Chew Thim
  (Lead Independent Director)
- Hew Koon Chan
  (Independent Director)
- Ch'ng Li-Ling
  (Independent Director)

AUDIT COMMITTEE
- Hew Koon Chan (Chairman)
- Ho Chew Thim
- Ch'ng Li-Ling

REMUNERATION COMMITTEE
- Ho Chew Thim (Chairman)
- Hew Koon Chan
- Ch'ng Li-Ling

NOMINATING COMMITTEE
- Ch'ng Li-Ling (Chairman)
- Ho Chew Thim
- Hew Koon Chan

COMPANY SECRETARIES
- Teo Meng Keong
- Loh Mei Ling

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Tricor Barbinder Share
Registration Services
(A division of Tricor
Singapore Pte. Ltd.)
80 Robinson Road, #02-00,
Singapore 068898

SPONSOR
SAC Advisors Private Limited
1 Robinson Road
#21-02 AIA Tower
Singapore 048542

INDEPENDENT AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Chan Yew Kiang
(with effect from financial year
ended 31 December 2016)

PRINCIPAL BANKERS
- United Overseas Bank Limited
- DBS Bank Ltd
- The Hongkong and Shanghai Banking Corporation Limited

DECLOUT LIMITED

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

IMPORTANT:

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

Personal Data Privacy

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

PROXY FORM

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

of .... (Address)

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

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

or failing which, the chairman of the annual general meeting of the Company (the "AGM"), as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf at the AGM to be held at M Hotel, Banquet Suite, Level 10, 81 Anson Road, Singapore 079908 on Thursday, 27 April 2017 at 2.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the ordinary resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the *proxy/ proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the AGM.

NO.	RESOLUTIONS RELATING TO:	FOR**	AGAINST**
	Ordinary Business		
1.	Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement and the Auditors' Report thereon		
2a.	Re-election of Ms Cheryl Tan Choo Huang as a Director of the Company		
2b.	Re-election of Ms Kow Ya as a Director of the Company		
2c.	Re-election of Mr Hew Koon Chan as a Director of the Company		
3.	Payment of additional Independent Directors' fees of S$90,000 for the financial year ended 31 December 2016 and Directors' fees of up to S$293,000 for the financial year ending 31 December 2017		
4.	Re-appointment of Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
5.	Authority to allot and issue shares		
6.	Authority to grant share options, allot and issue shares under the ESOS		
7.	Authority to grant share awards, allot and issue shares under the PSP		
8.	Proposed renewal of the share buy back mandate		

Notes:

* Please delete accordingly

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

Dated this ________ day of ______________________ 2017

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

____

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

IMPORTANT: Please read notes overleaf

1st fold here

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than 2 proxies to attend, speak and vote at the AGM. A proxy needs not be a member of the Company. Where a member appoints more than 1 proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form (expressed as a percentage of the whole).
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a Relevant Intermediary is entitled to appoint more than 2 proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than 2 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with the Company's Constitution and Section 179 of the Companies Act.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any), under which it is signed, or notarially certified copy thereof, must be deposited at the Company's Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898 not later than 48 hours before the time set for the AGM.
6. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register as defined under the Securities and Futures Act, Chapter 289 of Singapore, he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares.
8. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

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AFFIX
STAMP

The Share Registrar
DECLOUT LIMITED
80 Robinson Road, #11-02,
Singapore 068898

DECLOUT
www.declout.com

Singapore - Headquarters
29 Tai Seng Avenue
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China
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JuneYao International Plaza
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BEAQON GROUP
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blok F 35,
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COROUS360 GROUP
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F: +886 2721 5958

Hong Kong
Flat 25/F Unit 12
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
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PROCURRI GROUP
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VCARGO CLOUD GROUP

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DeClout Limited
Company Registration No.: 201017764W

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