

ACHIEVING
SOLID GROWTH

Annual Report 2015

declout
the future is present

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

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

The contact person for the Sponsor is Ms Lam Siew Hwa, Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.

ABOUT **DECLOUT**

We invest in, incubate and scale companies to be market leaders in their industries.

DeClout is a global builder of next-generation cloud, data centres, e-commerce and marketplace companies. The Group has built an exceptional track record of identifying disruptive trends and reinventing 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.

At DeClout, the future is always the present.



Note

[1] Vertical Domain Clouds ("VDCs") – An environment where technology integrates with industry know-how and domain expertise to form the foundation for the creation of a community and platform that will enable stakeholders within a specific industry to communicate, interact and collaborate seamlessly.



Our portfolio companies are grouped within two key business segments: **IT Infrastructure Services** which form the building blocks of all technology and marketplace companies, and **Vertical Domain Clouds** – 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.

4 Established Business Groups

IT INFRASTRUCTURE SERVICES

PROCURRI
IT Distribution & Lifecycle Services

ACCLIVIS
Cloud, Technology, Managed Internet and Managed Services

BEAQON
Telecommunications & Network Solutions

VERTICAL DOMAIN CLOUDS ("VDCs")[1]

COROUS360
E-Commerce Solutions

ANNUAL REPORT 2015 | DECLOUT LIMITED

GLOBAL **REACH**

4
Business Groups

15
Offices Worldwide

617
Employees



SIGNIFICANT **EVENTS**

January 2015

Global brand launch of Procurri



January 2015

Acclivis acquired OSINet Communications Pte. Ltd. to bolster its Cloud and Managed Services capabilities



March 2015

Procurri opened an office in Mexico



July 2015

Corous360 acquired a 30% interest in vCargo Cloud Pte. Ltd.



July 2015

Corous360 launched PLAYe, an online-mobile-offline platform for games and collectibles



August 2015

DeClout awarded 50 Fastest Growing Companies in Singapore by DP Information Group



October 2015

DeClout announced the proposed spin-off and listing of Procurri on Mainboard of SGX-ST



November 2015

Acclivis announced the acquisition of Pacnet's Internet Service Provider (ISP) assets and business in Singapore and Thailand, respectively



November 2015

Corous360 acquired a 75% interest in Play-E Pte. Ltd. to expand its retail footprint in Asia

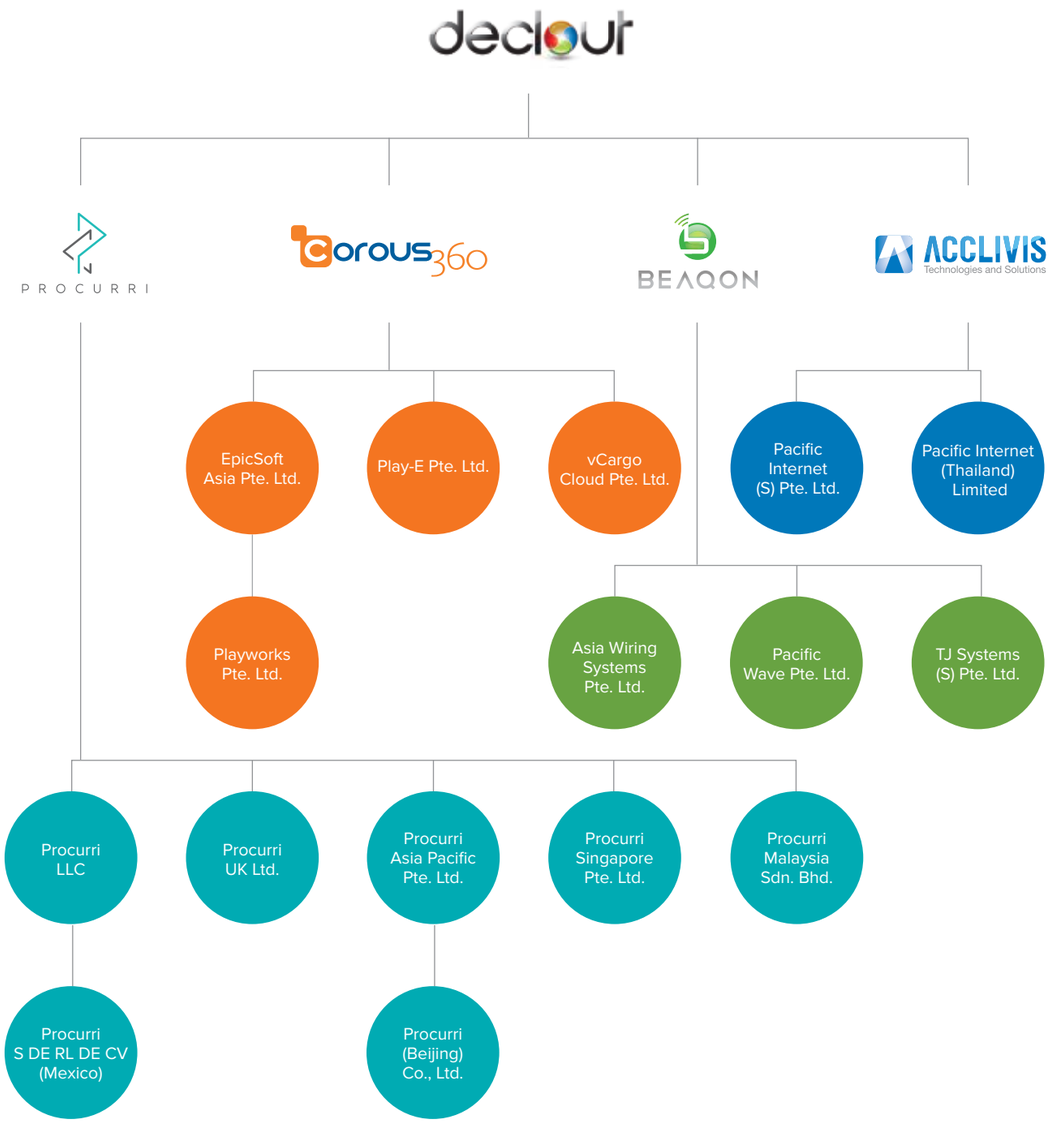


January 2016

Beaqon acquired a 75% interest in TJ Systems (S) Pte. Ltd. to enhance its product distribution offerings



CORPORATE **STRUCTURE**



Note

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

BUSINESS **STRATEGY**

DeClout is guided by the following strategies for growth and development.

1

IDENTIFY

We continuously identify the next wave of technology trends to create new growth platforms for the Group.

2

INCUBATE

We build and incubate businesses that are either aggregators, enablers or eco-system builders that disrupt the marketplace.

3

SCALE

Our ability to execute our vision and scale our businesses to be global or regional champions is what differentiates us from other players.

4

HARVEST

We target to generate attractive returns to our shareholders within 3-5 years.

FINANCIAL **HIGHLIGHTS**

REVENUE
($ Million)

78%

FY2015	279.5
FY2014	157.0

GROSS PROFIT
($ Million)

68%

FY2015	69.7
FY2014	41.6

EBITDA
($ Million)

61%

FY2015	17.8
FY2014	11.0

PROFIT BEFORE TAX
($ Million)

118%

FY2015	8.0
FY2014	3.6

PROFIT AFTER TAX
($ Million)

145%

FY2015	7.7
FY2014	3.1

PATMI
($ Million)

191%

FY2015	5.0
FY2014	1.7

EARNINGS PER SHARE
(Cents)

100%

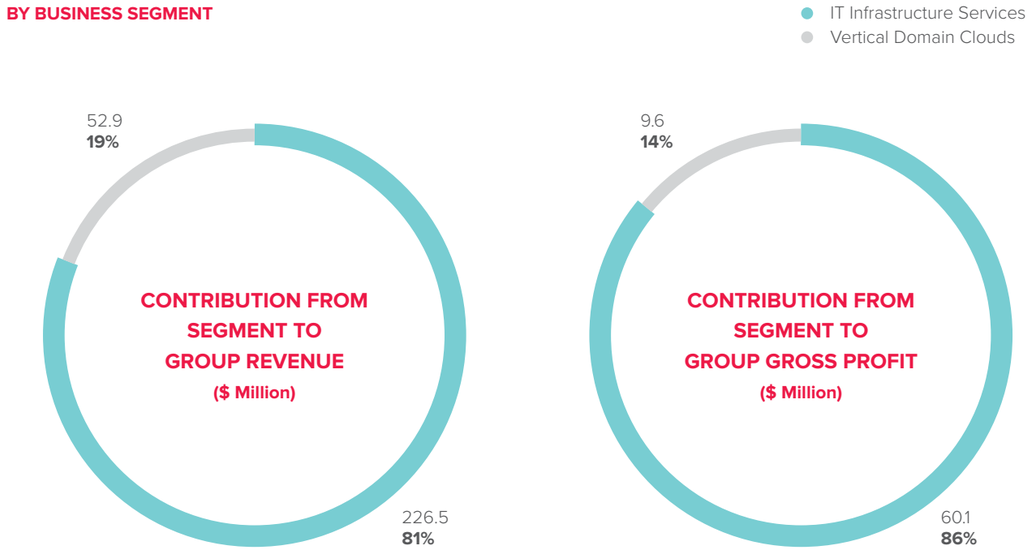
FY2015	1.08
FY2014	0.54

NET ASSET VALUE PER SHARE
(Cents)

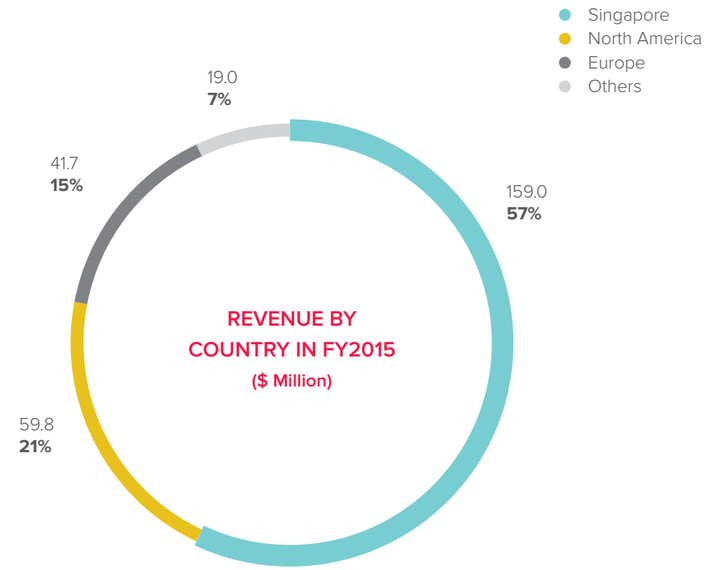
8%

FY2015	15.2
FY2014	14.0

BY BUSINESS SEGMENT



BY GEOGRAPHY



Note

* "Others" refer to the rest of Asia Pacific countries

CHAIRMAN & **GROUP CEO'S MESSAGE**



DEAR SHAREHOLDERS,

On behalf of the board of directors ("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 2015 ("FY2015").

DELIVERING ON OUR PROMISE

FY2015 was a year focused on execution and delivering against our growth strategy, which is to invest, incubate, scale and harvest our businesses. Against these objectives, we stayed firmly on course and delivered a good set of earnings for the financial year.

The Group posted record revenue of $279 million. Gross profit rose to $69.7 million and EBITDA increased to $17.8 million. Profit before tax more than doubled to $8.0 million, and profit after tax more than doubled to $7.7 million. Net profit attributable to owners of the company surged 192% to $5.0 million. Overall, our results have shown the fruits of our mergers and acquisitions (M&A) strategy and strong operational execution that contributed to good organic growth.

On a segment basis, the IT Infrastructure Services (IT Infra) segment kicked into high gear, turning in $226.5 million in revenue, or 81% of the Group's revenue in FY2015. Gross profit rose 64% to $60.1 million.

The Vertical Domain Clouds (VDC) segment continued its growth momentum for two years running. Revenue and gross profit doubled to $52.9 million and $9.6 million respectively, on contributions from its games distribution and payment gateway businesses.

In recognition of our growth, DeClout was awarded one of the 50 fastest growing companies in Singapore by DP Information Group in August 2015. The award recognises outstanding businesses that have transformed their industries and stayed profitable for three consecutive years. We are encouraged by this accolade and will strive to perform even better. Yet, we know the Group has achieved such a position by getting many things right.

DISRUPTING THE ORDER

Today, the sharing economy is taking root in all facets of our lives, and it is here to stay. The sharing economy is an emerging business model which allows enterprises and consumers to share resources without ownership. Technology, which sits at the heart of this model, has reduced transaction costs, making sharing assets cheaper and easier, and therefore possible on a much larger scale. Companies that are able to capitalise on this trend and leverage technology to provide goods and services will be the biggest winners.

In the last few years, we saw this disruptive shift and moved fast to seize the opportunities. Ahead of our competitors, we incubated four business groups that play to our strengths, and in industries which we consider to have the greatest potential – data centre, cloud, telco and network infrastructure and e-commerce. Each of our four business groups would function as an aggregator, enabler or eco-system builder in its respective sector. Our vision was to scale each of them into a regional or global champion and generate attractive returns to our shareholders within 3-5 years.

PROCURRI: OUR FIRST HARVEST

Procurri, a global aggregator of IT distribution and lifecycle services, is our first success story.



VESMOND WONG KOK KHUN

Chairman and Group Chief Executive Officer
DeClout Limited

FY2015 was a year focused on execution and delivering against our growth strategy, which is to invest, incubate, scale and harvest our businesses. Against these objectives, we stayed firmly on course and delivered a good set of earnings for the financial year.

In recognition of our growth, DeClout was awarded one of the 50 fastest growing companies in Singapore by DP Information Group in August 2015.

Procurri is now on the cusp of harvest. In October 2015, we announced the proposed spin-off and listing of Procurri on the Mainboard of SGX-ST.

As early as 2013, we set out to be a global player in the IT distribution and lifecycle services industry. The Group incubated Procurri, integrated our Asia operations into this entity and provided much financing and leadership to build a platform that could match buy and sell opportunities for IT hardware, and one where enterprises could procure maintenance, hardware-as-a-service and IT asset disposition services.

From 2013- 2014, we embarked on an aggressive M&A plan to expand our footprint into the US, Europe and Asia. We are proud to see the payoffs from this expansion. For FY2015, Procurri's revenue exceeded $120 million, contributing to 44% of the Group's revenue. Gross profit reached $41.6 million, or 60% of the Group's gross profit, and net profit after tax came in at $8.8 million. In a short span of two years, we have built a profitable business and catapulted Procurri into the ranks of one of the leading global players.

Procurri is now on the cusp of harvest. In October 2015, we announced the proposed spin-off and listing of Procurri on the Mainboard of SGX-ST. Barring any unforeseen circumstances and subject to the requisite regulatory approvals, the proposed listing of Procurri, when successful, will be the Group's first key step in unlocking value for our shareholders.

SCALING OTHER PLATFORMS FOR HARVEST

For the other three business groups, our goal is simple: to scale them to prepare for their harvest, just like Procurri. With this goal firmly in sight, we made a number of strategic investments for FY2015.

We acquired OSINet Communications Pte. Ltd. as well as Pacnet's Internet Service Provider (ISP) assets and business in Singapore and Thailand, respectively for Acclivis, our Cloud, Technology, Managed Internet and Managed Services business group. These acquisitions gave us the necessary licences to provide internet services and put us in good stead to offer a complete suite of Information and Communications Technology (ICT) solutions to compete with other market leaders.

We also acquired TJ Systems (S) Pte. Ltd., a security systems integrator for Beaqon, our telco and network solutions arm. The acquisition helped us gain capabilities in security products and solutions that complement our product distribution arm, and create cross-selling opportunities for Acclivis and other business groups.

With these acquisitions in place, Acclivis and Beaqon now have a full-fledged suite of IT and telco solutions to meet increasing demands from our customers. The combination of these competencies further allows us to move up the value chain and puts us in a good position to be the regional ICT player.

In the VDC arena, Corous360 continues to beef up its game-changing platform where content and payment converge to sprint towards its goal of becoming a regional e-commerce leader.

In the premium market arena, we launched PLAYe, an online-mobile-offline platform focusing on the games, toys and collectibles vertical. The platform is designed to cater to hobbyists in Southeast Asia, Hong Kong and Taiwan. Over the next 12 months, the team intends to pursue a number of retail alliances in these markets to capture greater market share.

Despite the softening of market sentiments, our results have shown that we have quality businesses within our portfolio, and a strong track record of delivering on our promise every year. We have a management team that understands our customers and is in tune with the new realities of the marketplace. From this team, our Board and our dedicated staff, you can expect a culture of innovation, execution and a commitment to increasing shareholder value.

The Group will continue to enhance existing operations and selectively acquire synergistic businesses to augment our drive for growth and harvest.

In the mass market arena, we focused on the provision of a payment and messaging platform in Indonesia and will replicate the model to other emerging economies in Southeast Asia. Our services will broaden beyond text messages into areas like e-money, peer-to-peer e-commerce transactions, advertisements, social interaction and other content. These services will leverage the assets that we already possess, such as our retail stores and digital touch points, user base and intelligent data networks.

Notwithstanding the potential spin-off of Procurri, the Group continues to nurture other pillars for sustainable growth. Through Corous360, we have acquired a 30% interest in vCargo Cloud Pte. Ltd. which will be the Group's next VDC growth engine.

FORGING AHEAD

We have made good progress so far, though we still have much to do. The Group will continue to enhance existing operations and selectively acquire synergistic businesses to augment our drive for growth and harvest.

In line with the Group's strategy to scale our four businesses, we may continue to use consideration shares as a strategic tool to fund M&As so as to maintain financial flexibility where we believe this will augment growth. In spite of our modest fundraising efforts since IPO and the issuance of consideration shares to fund our M&A activities to date, we are happy to report that our earnings per share has doubled to 1.08 cents and net asset value per share has increased by 8% to 15.19 cents as reflected in our FY2015 results.

Despite the softening of market sentiments, our results have shown that we have quality businesses within our portfolio, and a strong track record of delivering on our promise every year. We have a management team that understands our customers and is in tune with the new realities of the marketplace. From this team, our Board and our dedicated staff, you can expect a culture of innovation, execution and a commitment to increasing shareholder value.

Looking forward, we see the sharing economy gaining further momentum. The greater challenge, and opportunity, for us is to lead and shape this digital revolution with our platforms to create sustainable value for our shareholders. Our four business groups are at the forefront of disruption, and I am confident that the Group is well-positioned to thrive, capture and monetise growth in the sharing economy era.

IN APPRECIATION

In closing, I would like to express my gratitude as always to the Board, management, employees and shareholders for your continued support, particularly given the significant investments we have made and the pace at which we have executed on our vision.

I look forward to another year of great success.

BUSINESS REVIEW

BUSINESS REVIEW
PROCURRI

FY2015

REVENUE
^60%

GROSS PROFIT
^71%

EBITDA
^100%

NET PROFIT AFTER TAX
^167%

INTEGRATING OUR GLOBAL OPERATIONS

In FY2015, Procurri launched its brand worldwide and continued its global expansion plan by opening an office in Mexico to tap into opportunities in Latin America. At the same time, we focused on the integration of our global operations to drive synergy and extract economies of scale.

Our financial results have demonstrated the success of our integration and execution efforts. For FY2015, revenue grew 60% to $122.8 million. Gross profit grew 71% to $41.6 million. EBITDA nearly doubled to $13.6 million and net profit after tax grew by 167% to $8.8 million.

NURTURING FUTURE GROWTH DRIVERS

To build on our global aggregation platform that could match buy and sell opportunities of IT hardware, we also expanded our suite of offerings to include IT Asset Disposition (ITAD) and Supply Chain Management for Original Equipment Manufacturers (OEMs).

In Asia Pacific, we clinched a monumental deal in ITAD with a major OEM, which includes asset verification testing, data sanitisation, staging and building of equipment. This deal will potentially pave the way to work with more OEMs in different parts of the world.

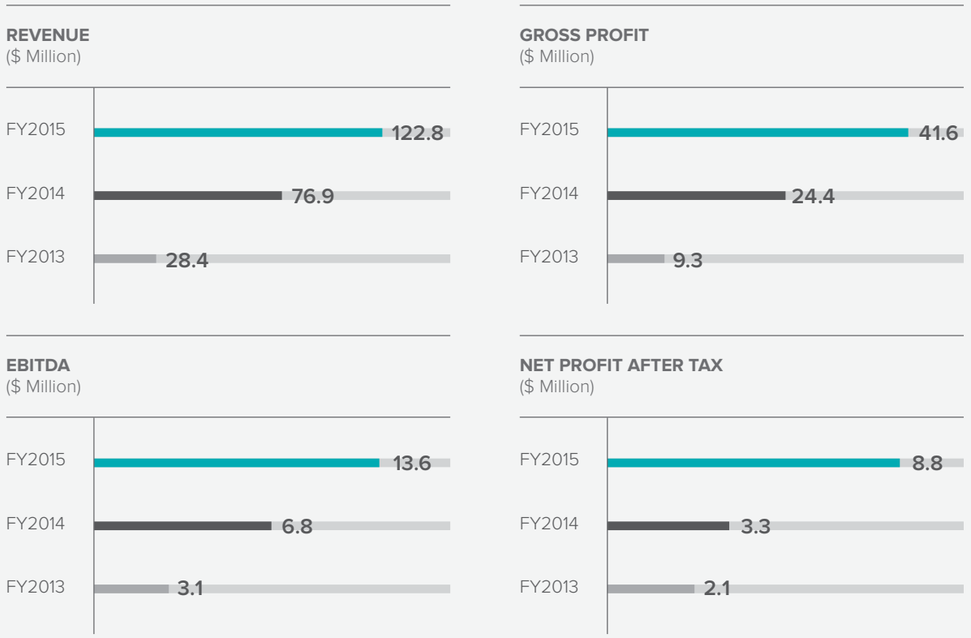
We anticipate that ITAD will be the next growth driver for us. Building on our relationships with other OEMs, we expect to gain greater market share in the year ahead.

Globally, we established partnerships with EMC Corporation as a distributor of Host Bus Adapters (HBA) products to provide IT distribution channel and logistics support services. These are early shoots of success and we will continue to work with other OEMs to be their preferred supply chain partner.

READY FOR HARVEST

Procurri is now on the cusp of harvest. Barring unforeseen circumstances and subject to the requisite regulatory approvals, we look forward to the proposed spin-off and listing of Procurri on the Mainboard of the SGX-ST.

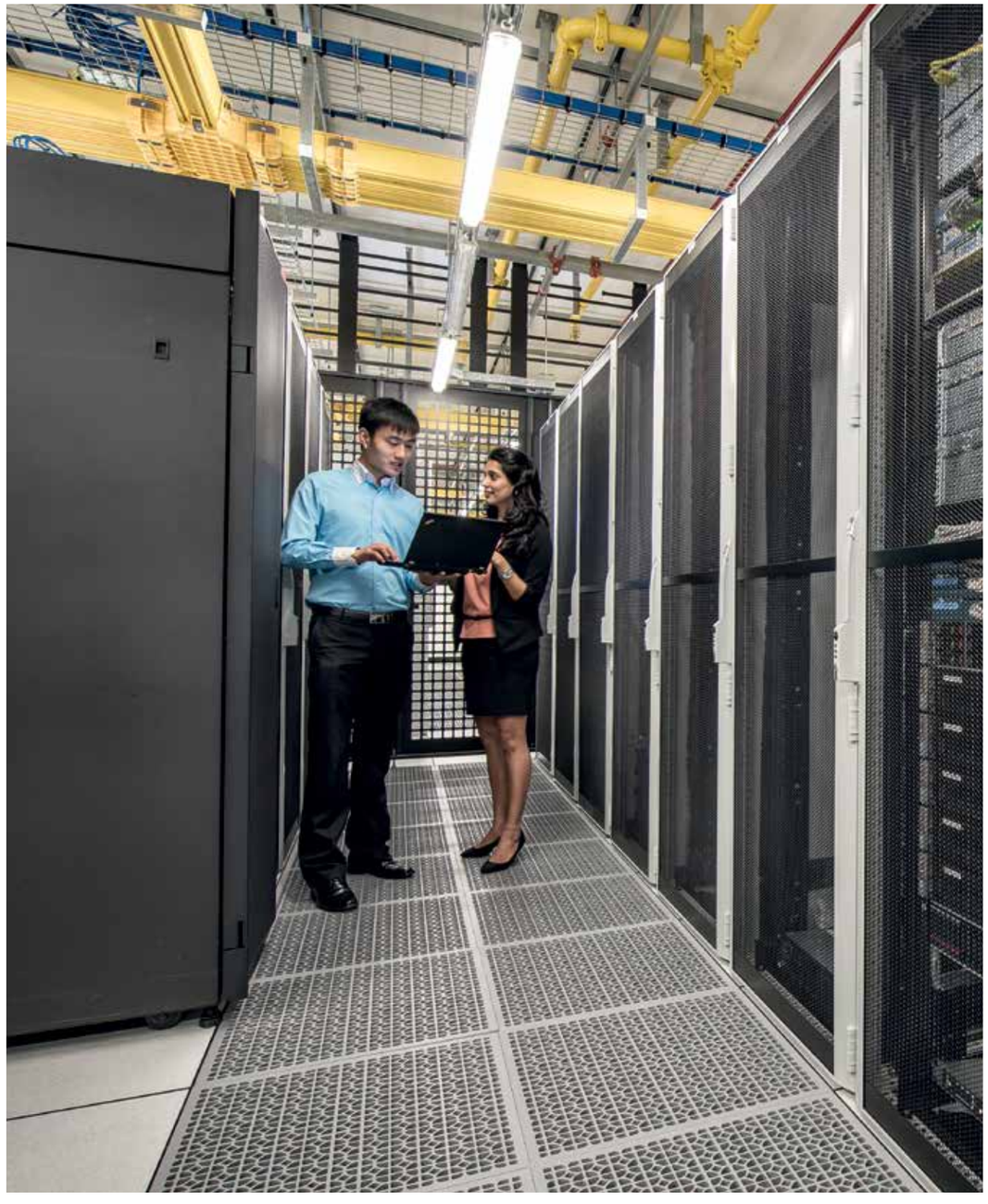
3 YEAR FINANCIAL PERFORMANCE







BUSINESS REVIEW
ACCLIVIS



CREATING A ONE-STOP ICT POWERHOUSE

Acclivis continued to scale in 2015 by expanding its offerings to be a full-suite ICT powerhouse.

In January 2015, Acclivis acquired OSINet Communications Pte. Ltd. (“OSINet”) to bolster its Cloud and Managed Services capabilities. OSINet’s capabilities in internet services and managed services further strengthened our ability to provide carrier-neutral and high-performance network connectivity to companies adopting Cloud in the region.

To gain greater market share in the internet services space, Acclivis acquired Pacnet's Internet Service Provider (ISP) assets and businesses in Singapore and Thailand in November 2015. Founded in 1989, Pacific Internet is one of Singapore’s heritage IT brands that was formerly listed on Nasdaq.

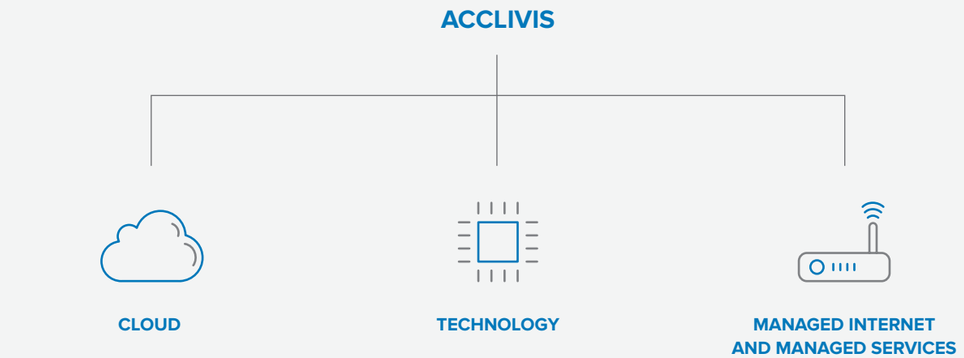
Together with OSINet which was regrouped to become part of Pacific Internet, Acclivis now has one of the leading ISP capabilities, with the ability to provide and manage the network through one service agreement for enterprise customers across Southeast Asia.

With its new telco licence in Thailand, Acclivis is now truly a one stop regional ICT provider, giving companies the full-suite of ICT solutions on-demand. The Pacific Internet acquisition also presents more opportunities for Acclivis to upsell and cross-sell its Cloud, Technology, Managed Services as well as other telecommunications products across the Group to a broader customer base.

Over the next 12 months, Acclivis intends to leverage on its acquisitions and its enlarged presence and capabilities to become a significant ICT player in the region.

With its new telco licence in Thailand, Acclivis is now truly a one stop regional ICT provider, giving companies the full-suite of ICT solutions on-demand.

BUSINESS OFFERINGS



BUSINESS REVIEW
BEAQON

In the telco and critical infrastructure space, Beaqon is gaining good recognition and growth momentum.

BUILDING THE INFRASTRUCTURE OF THE FUTURE

During the year, our distribution and infrastructure arms continued to grow from strength to strength.

Our product distribution arm assisted in the supply of cables to the OCBC Data Centre, a key storage facility for OCBC Group, and the Telin Data Centre, part of Indonesia's largest telecommunications group Telkom. Both data centres are critical infrastructure that support our growing digital economy, and include the hosting of mission-critical operations and the enablement of cloud computing and data analytics.

In-building and hard-to-reach areas often present coverage issues for mobile operators, especially in public infrastructures. In the telco and critical infrastructure space, Beaqon is gaining good recognition and growth momentum. In 2015, it won the much coveted project to supply in-building cellular components to the new Changi Airport Terminal 4 which will open in 2017.

Our infrastructure arm also captured a healthy slice of homeland security projects in Singapore in the year.

We continued to serve the Changi Airport Group in the upgrading of the CCTV system at Changi Airport Terminals 1, 2 and 3. We were also appointed by a local mobile carrier to assist in the installation of an Integrated Security Management System for its own data centre. At the same time, we secured A&A (additions and alterations) work for the army camps in both phases one and two of the project.

To further complement Beaqon's distribution business, we acquired TJ Systems (S) Pte. Ltd. ("TJ Systems') a security systems integrator which specialises in high-end security equipment in January 2016. A well-known name in the security space, TJ Systems was part of the TJ Group, an affiliated company with The Commercial & Industrial Security Corporation Pte Ltd (CISCO).

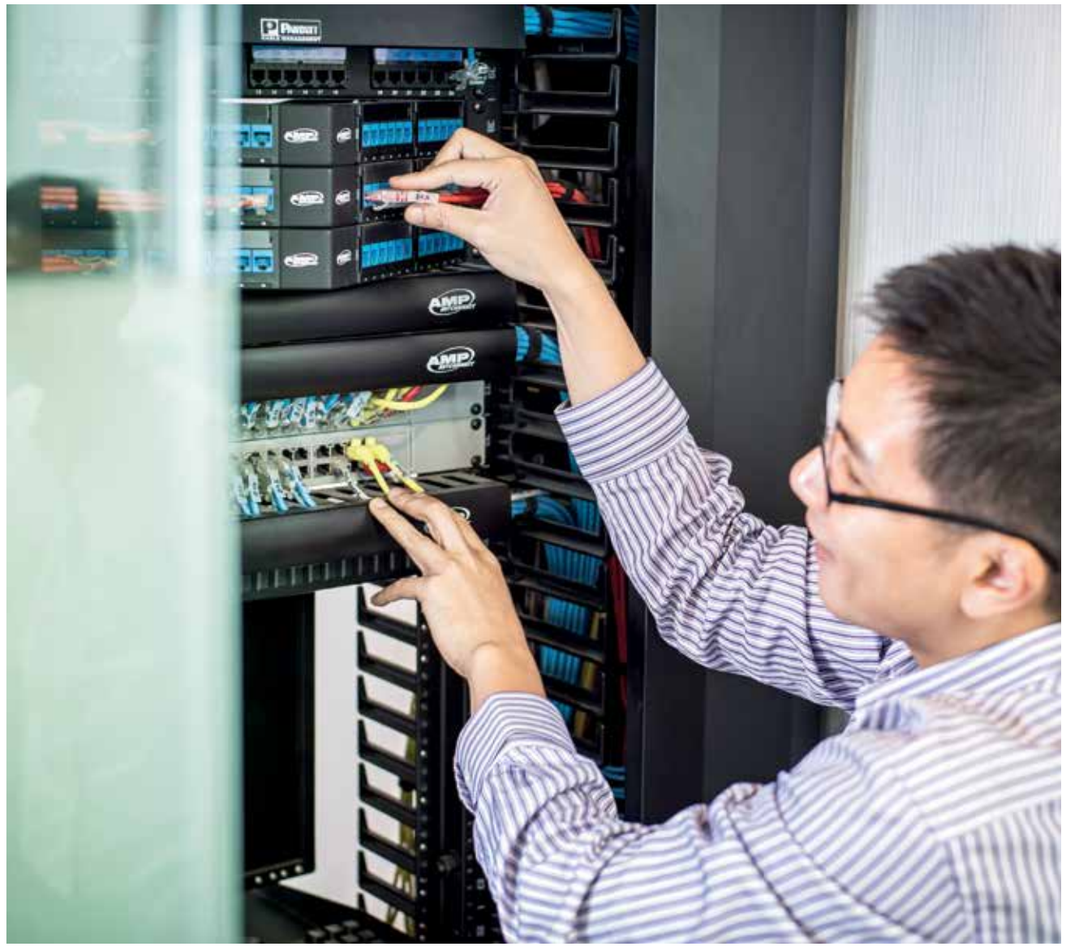
In the year, TJ Systems was awarded the turnkey security contract for Jurong Island Checkpoint Expansion in P. Damar Laut. Jurong Island Checkpoint is the cornerstone of Singapore's energy and chemicals industry and home to a vibrant portfolio of more than 100 leading global petroleum, petrochemical and specialty chemical companies.

We were also awarded the turnkey security contracts for the Singapore University of Technology and Design as well as a new data centre at the Singapore Data Centre Park.

With an enlarged product distribution business and a fast growing infrastructure arm that is already plugged into the telco, financial services and public sectors, Beaqon is well-positioned to shape the future of network connectivity and the security of critical infrastructure.







BUSINESS REVIEW
COROUS360

FY2015

REVENUE
^112%

GROSS PROFIT
^99%

EBITDA
^73%

NET PROFIT AFTER TAX
^62%

BUILDING THE E-COMMERCE PLATFORM OF SOUTHEAST ASIA

FY2015 has been a rewarding year for the Corous360 group which experienced good growth and continued profitability. Revenue grew by 112% to $52.9 million, EBITDA grew by 73% to $3.1 million and gross profit nearly doubled to $9.6 million. Net profit after tax jumped 62% to $1.6 million. The results are mainly attributed to the growth of our games distribution and payment gateway businesses.

In July 2015, Corous360 launched PLAYe, an online-mobile-offline platform which revolutionises the way gamers and collectors experience their passion. PLAYe is a niche vertical focusing on games and collectibles and plays an integral role in Corous360's premium market strategy. The platform specifically targets high spending hobbyists who spend an average of US$100 – US$1,000 per transaction.

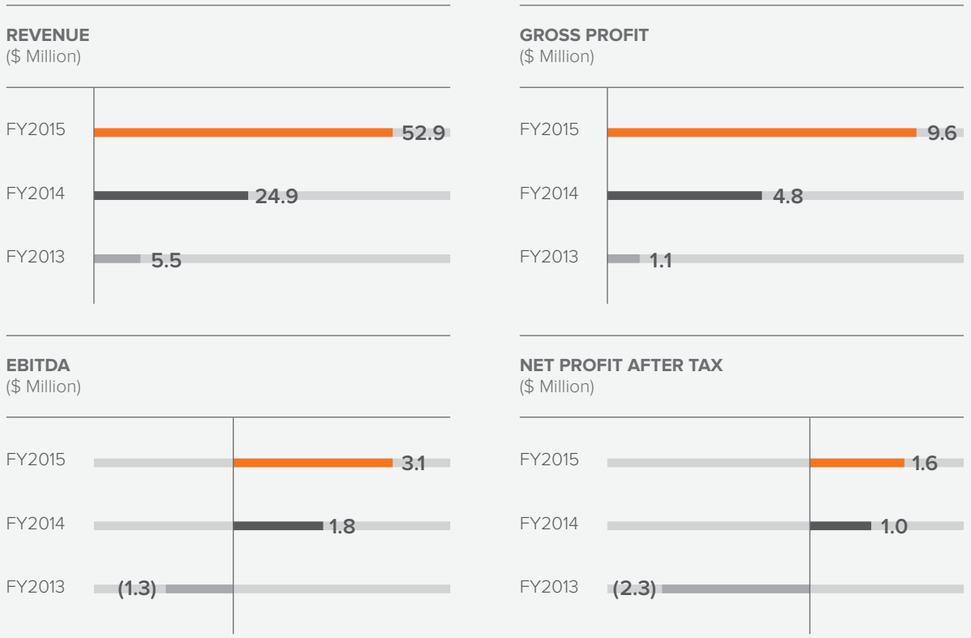
Through the PLAYe mobile application ("app") and our chain of retail outlets, hobbyists can purchase the latest collectibles, toys and gadgets and obtain curated content of these products anytime, anywhere. The physical stores augment our digital strategy and serve both as experiential centres for hobbyists to experience the latest gadgets and games before purchase, as well as collection centres for the goods that they ordered through the app and online stores.

To date, we have 13 PLAYe retail outlets across Singapore. We are also in the process of extending our platform coverage to other parts of Southeast Asia, Hong Kong and Taiwan through a retail alliance so that we can continue to tap on the growth in these markets.

In targeting the mass market users in the emerging economies of Southeast Asia, Corous360 focused on the provision of a content and messaging platform that enables the delivery of rich content such as music and magazines and instant messaging features such as private messages, group chats and micro-blogging. The goal is to make entertainment available to the masses through their mobile phone. In the payment arena, we continue to enhance our payment platform to allow business-to-business (B2B), business-to-consumer (B2C) and peer-to-peer (P2P) payments, eliminating the use of "middlemen" that are commonly required in the facilitation of payments in emerging markets. We are starting this model in Indonesia before replicating it to other markets in time to come.

With both our mass and premium market strategies in place, we believe we are well-positioned to create stickiness of our platform, and enhance our user base and transaction volume in the next 12 months.

3 YEAR FINANCIAL PERFORMANCE









BOARD OF **DIRECTORS**

01

VESMOND WONG KOK KHUN

Chairman and Group Chief Executive Officer
DeClout Limited

Age
50

Date of First Appointment as a Director
1 February 2011

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

Length of Service as a Director as at 1 April 2016
5 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 2016)
Other Listed Companies
Nil

Other Principal Commitments
Nil

Past Directorship in listed companies held over the preceding 3 years from 1 January 2013 to 31 December 2015
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. Mr Wong has more than 20 years of management experience in the IT industry.

In April 2000, Mr Wong founded Cavu Corp Pte. Ltd. ("Cavu Corp"), a leading IT infrastructure service provider that offered a full range of enterprise solutions. 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.



02

KOW YA

Executive Director
DeClout Limited

Age
44

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 2016
1 year 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 2016)
Other Listed Companies
Nil

Other Principal Commitments
Nil

Past Directorship in listed companies held over the preceding 3 years from 1 January 2013 to 31 December 2015
Nil

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**

03

HO CHEW THIM

Lead Independent Director

Age
64

Date of First Appointment as a Director
26 September 2012

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

Length of Service as a Director as at 1 April 2016
3 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 2016)
Other Listed Companies
China Kunda Technology Holdings Limited
Hengyang Petrochemical Logistics Limited
Mencast Holdings Ltd.
Yongmao Holdings Limited

Other Principal Commitments
Nil

Past Directorship in listed companies held over the preceding 3 years from 1 January 2013 to 31 December 2015
R H Energy Ltd.

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 Ltd., Mencast Holdings Ltd., Yongmao Holdings Ltd. and Hengyang Petrochemical Logistics Ltd.

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

04

HEW KOON CHAN

Independent Director

Age
54

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 2016
3 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 Accountants

Present Directorships (as at 1 April 2016)
Other Listed Companies
Far East Group Ltd.
Nordic Group Ltd.
Roxy-Pacific Holdings Ltd.

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

Past Directorship in listed companies held over the preceding 3 years from 1 January 2013 to 31 December 2015
Nil

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 Ltd., Roxy-Pacific Holdings Ltd and Far East Group Ltd.

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.



Note

[1] Appointed on 26 September 2012

BOARD OF **DIRECTORS**

05

CH'NG LI-LING

Independent Director

Age
44

Date of First Appointment as a Director
26 September 2012

Date of Last Re-election as a Director
29 April 2013

Length of Service as a Director as at 1 April 2016
3 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 2016)
Other Listed Companies
Anchor Resources Limited
(appointed as 18 December 2015)
LHN Limited
(appointed as Independent Director on 10 March 2015)

Other Principal Commitments
Partner, RHTLaw Taylor Wessing LLP

Past Directorship in listed companies held over the preceding 3 years from 1 January 2013 to 31 December 2015
Nil

Note

[1] Appointed on 26 September 2012

Ch'ng Li-Ling is our Independent Director and was appointed to the Board on 26 September 2012. She is currently a Partner in the 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 2014 (Capital Markets), and was recognised as 'Leading Lawyers' in the 2013, 2014 and 2015 editions of IFLR1000.

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.



SENIOR **MANAGEMENT**

DeClout's senior management team comprises a total of 8 members, including two of our Directors, namely Vesmond Wong[1] (Chairman and Group CEO) and Kow Ya[1] (Executive Director).

Note

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

01

LIM SWEE YONG

Head of Corporate Office
DeClout Limited



Mr Lim joined as the Head of Corporate Office for DeClout in August 2015. 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 at Fullerton Fund Management, and before that, a Director with Stamford Law Corporation specialising in mergers and acquisitions, corporate finance, private equity and fund management.

Mr Lim holds a Bachelor of Law (Honours) from the National University of Singapore, and is also qualified as a solicitor of England and Wales.

02

THOMAS SEAN MURPHY

Global Chief Executive Officer
Procurri Corporation Pte. Ltd.



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 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. Sean'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, Sean graduated from the Emory University with a degree in Economics.

SENIOR **MANAGEMENT**



03

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, 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 ("IAHGames"), 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.



04

MARCUS CHENG

Chief Executive Officer
Acclivis Technologies and Solutions Pte. Ltd.

Marcus Cheng joined Acclivis in August 2009 and was appointed as the CEO in April 2013. He is responsible for Acclivis' business development and growth and to drive its strategic plans.

From August 2009 to April 2013, Mr Cheng was the Director of Sales at Acclivis, where he was responsible for the sales operations in both the public and commercial sectors in Singapore. Prior to this, Mr Cheng served as a Client Systems Manager at IBM Singapore, providing IT hardware, software and services solutions to public sector customers in Singapore.

Mr Cheng was a two-time award recipient at IBM's Hundred Percent Club, which honoured salesmen who achieved 100 percent of their annual sales quota. In addition, he was also a recipient of the IBM Global "Race for Success Sales" Award for his outstanding achievements during his 4 years in IBM.

Mr Cheng obtained a Second Class (Upper Division) Honours Degree in Computing Engineering from the Nanyang Technological University and is a member of the Singapore Computer Society and President of the IT Youth Council.

05

TAN WEI MENG

Executive Officer
DeClout Limited

Tan Wei Meng is the Executive Director of Procurri. With more than 20 years' management experience in the IT industry, he is responsible for the sales and business development of Procurri's operations in China.

Prior to joining Procurri, Mr Tan co-founded Cavu Corp with three other partners in February 2002. Under his co-leadership, Cavu Corp expanded rapidly to become a major regional IT services provider with coverage in Singapore, Malaysia, Indonesia and India. Mr Tan's previous roles include Senior Business Manager in Vanda Technologies Pte. Ltd., as well as several key positions in IBM, specialising in mid-range UNIX systems and was responsible for the systems architecture consultancy in the regional ASEAN countries.

Mr Tan graduated from the Nanyang Technological University with a Bachelor of Applied Science (Computer Engineering).



06

WINSTON KOH

Director, Special Projects
DeClout Limited

Winston Koh is the Director, Special Projects for DeClout Limited. Since joining DeClout in August 2010, Mr Koh has played a pivotal role in charting the development and growth of one of its subsidiaries, Corous360 Pte. Ltd., and in particular, the building of the Games Cloud Platform across Southeast Asia.

From February 2002 to September 2009, he was the Managing Director of Centia Pte. Ltd. (a subsidiary of Cavu Corp), and was overall responsible for providing leadership and management to the business.

From March 2000 to January 2002, Mr Koh was the Vice President of Business Development at EBIZ Solutions Pte. Ltd., where he was in charge of its regional business and sales development. Between February 1997 to March 2000, he was with Vanda Systems group of companies, and was responsible for overseeing its marketing and business development activities in Southeast Asia. He was instrumental in the development of Vanda Systems' distribution business, growing the company to become one of the significant distributors of IBM products in Southeast Asia.

Mr Koh holds a Bachelor of Mechanical Engineering (Honours) from the National University of Singapore, and a Master of Business Administration from the University of Strathclyde, United Kingdom.





REPORTS

CORPORATE GOVERNANCE REPORT

As at 28 March 2016

DeClout Limited ("DeClout" or the "Company", and together with its subsidiaries, the "Group") considers good corporate governance to be the trademark 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 2015 ("FY2015"), 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 ("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;

(e) reviewing interested person transactions;

CORPORATE GOVERNANCE REPORT

As at 28 March 2016

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

(g) providing oversight in the proper conduct of the Group's business.

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 commitment on expenditure, material acquisition and disposals of assets, issuance of corporate guarantee, debenture, mortgage or charge, loan or borrowing undertaking, 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 tele-conferencing 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 forms including periodical reviews, provisions of guidance and advice on various matters relating to the Group.

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 FY2015, 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:

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

Note:
* Attended as invitees

Upon the appointment of a new director, the Company will provide a formal letter to the director, setting out his 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.

[1] Pursuant to the recent amendments 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 28 March 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 Committee members.

All Directors are required to disclose their interests in 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 FY2015, the Board comprised:

Wong Kok Khun	(Chairman and Group CEO)
Kow Ya	(Executive Director)
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 FY2015 and as at the date of this corporate governance report, the Independent Directors make up more than 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 two female Directors, namely, Ms Ch'ng Li-Ling, an Independent Director and Ms Kow Ya, an Executive Director on the Board. Each Director has been appointed based on the strength of his/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 has been appointed based on the strength of his/her calibre, experience and stature and 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.

CORPORATE GOVERNANCE REPORT

As at 28 March 2016

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.

None of the Independent Director has been appointed as director to the Company's principal subsidiaries. The Board and the Management are of the view that the current board structure of the principal subsidiaries of the Company is well-organised and constituted. The Board will from time to time make the appropriate corporate decisions to consider the appointment of the Independent Director to the Company's principal subsidiaries. The Board also confirms that none of the Directors has served on the Board beyond nine years from the date of his/her first appointment.

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. Non-Executive Directors receive briefings on deals and developments, and are well-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 Non-Executive Directors.

The profiles of each of the Directors are set out on pages 24 to 28 of 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 and decisions made by Mr Wong are discussed and subject to approval by the Board and are reviewed by the AC, whose members comprise the Independent Directors.

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 regulates Board meetings and ensures that all procedures and good governance practices are complied with.

CORPORATE GOVERNANCE REPORT

As at 28 March 2016

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;

(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 business (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.

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.

CORPORATE GOVERNANCE REPORT

As at 28 March 2016

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 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 nominated and recommended to the Board and the Board has agreed that Mr Wong Kok Khun and Ms Ch'ng Li-Ling will retire by rotation pursuant to the Constitution at the forthcoming AGM. Both of them, being eligible for re-election, have offered themselves for re-election. Upon re-election, Mr Wong Kok Khun and Ms Ch'ng Li-Ling 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 Mr Wong Kok Khun and Ms Ch'ng Li-Ling and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

The key information on Mr Wong Kok Khun and Ms Ch'ng Li-Ling can be found on pages 24 and 28 respectively of 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/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	29 April 2014	-	-	-
Kow Ya *Executive Director*	1 January 2015	28 April 2015	-	-	-
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	29 April 2013	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, are disclosed on pages 24 to 28 in this annual report.

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.

CORPORATE GOVERNANCE REPORT

As at 28 March 2016

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 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 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 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 made by the Director.

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

During FY2015, both the Director's self-assessment and the Board's assessment checklists were sent to the company secretary based on confidentiality. The company secretary compiled both the Director's self-assessment and the Board's 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 NC Chairman shared the results 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 role (including commitment of time for the Board and Board Committee meetings, and any other duties). The Board as a whole has also met the performance evaluation criteria and objectives during FY2015.

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.

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 each Board and Board Committee meetings and are normally circulated in advance of each meeting.

CORPORATE GOVERNANCE REPORT

As at 28 March 2016

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 Committee meetings.

The Board as a whole as well as individual Directors have direct 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 direct access to the company secretary and in-house legal counsel. The company secretary attends all Board and Board Committee meetings, and assists the Chairman in ensuring that the Board and Board Committee papers, procedures and the applicable laws and regulations are adhered to.

The appointment and the removal of the company secretary should be a matter for consideration as a whole for 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 Committee 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 RC is guided by its terms of reference to perform the following functions:

(a) recommending to the Board a framework of remuneration for the Directors and the executive officers, and determining specific remuneration packages for each Executive Director, 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

(b) conducting an annual review of the remuneration of employees related to the Directors and substantial Shareholders, with the assistance of expert advice inside and/or outside the Company if needed, to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/or promotions for these employees and will also review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

If necessary, the RC will seek professional advice internally and/or externally pertaining to remuneration matters of Directors and key management personnel. A study on remuneration packages of the Executive Directors and key management personnel is currently being conducted by the appointed external remuneration consultant, Mercer (Singapore) Pte. Ltd. ("Mercer"). There is no relationship between the Company and Mercer that will affect the independence and objectivity of Mercer.

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

As at 31 December 2015, the Company has granted 12,000,000 share options pursuant to the ESOS, of which options to subscribe for 7,581,393 shares remained outstanding. Movements in the number of the unissued shares of the Company under the ESOS during FY2015 were as follows:

Exercise period		Outstanding options as at beginning of the year	Number of options granted during the year	Number of options cancelled	Outstanding options as at end of year	Exercise price S$
From	To					
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 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	-	-	7,581,393	

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

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As at 31 December 2015, the Company has granted a total of 29,700,000 share awards pursuant to the PSP. The table below shows the share awards granted pursuant to the PSP during FY2015.

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
13 January 2015	6,000,000	0.230	Nil
24 March 2015	1,000,000	0.245	Nil
14 August 2015	1,450,000	0.230	Nil

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 Note 29 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 current service agreement with the Company ended on 31 December 2015 and has been extended for another 3 years (2016 to 2018). Ms. Kow Ya who was appointed as Executive Director with effect from 1 January 2015 had entered into a 3-year service agreement with the Company.

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 senior Management may be rewarded with business unit level bonus on achievement of the key performance indicators he or she is responsible for.

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

During FY2015, 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, no Directors' fees will be paid to the Executive Directors with effect from FY2015. Directors' fees of S$176,000 for FY2015 have been approved by Shareholders at the last AGM held on 28 April 2015. Directors' fees of S$333,000 for the current financial year ending 31 December 2016 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.

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The Company intends to use 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. The RC will assess and implement, where appropriate, in due course.

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/payable for FY2015 in bands of S$250,000 is as follows:

Remuneration bands/ Name of Director	Salary[1] (%)	Bonus[1] (%)	Director's Fees (%)	Others[2] (%)	Total (%)
(i) S$750,000 to below SS$1,000,000					
Mr Wong Kok Khun	61	29	1[4][5]	9	100
Ms Kow Ya[3]	32	39	-[5]	29	100
(ii) Below S$250,000					
Mr Ho Chew Thim	-	-	62	38	100
Mr Hew Koon Chan	-	-	46	54	100
Ms Ch'ng Li-Ling	-	-	43	57	100

Notes:

(1) Included employers' CPF
(2) Included fair value of the options/PSP for FY2014 and FY2015 vested during the year on or after 31 December
(3) Appointed as Director on 1 January 2015
(4) Included Director's fees paid in arrears for FY2014
(5) No Directors' fees will be paid to the Executive Directors with effect from FY2015

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

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 FY2015, 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]	4
S$250,000 to S$499,999 [2]	1

Notes:

(1) Included key management personnel who resigned during FY2015.
(2) Included employers' CPF and fair value of the options/PSP for FY2014 and FY2015 vested during the year on or after 31 December.

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The total remuneration, in aggregate, paid to the top 5 key executives (who are not Directors or CEO) of the Group for FY2015 is approximately S$2,501,000.

There are no Directors or employees who are related to one another or to any of our 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 FY2015.

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

(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 half-year 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 Board ensures that all relevant regulatory compliances and updates will be highlighted from time to time to ensure adequate compliance with the legislative and regulatory requirements.

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 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' investments and the Group's assets.

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For FY2015, the Group CEO and the Group Financial Controller ("FC") have provided their confirmation and negative assurance to the Board on the integrity of the financial statements of the Group and that they give a true and fair view of the Company's operations, finances and effectiveness of the Company's risk management and internal controls systems.

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, the Group FC, 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 adequate and effective in addressing the financial, operational, compliance, information technology controls and risk management systems,

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.

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 by specifically identifying the type of business which the Company should avoid, determining a limit on risk exposure and identifying the rationale in the event that the Company decided to move beyond the above identified risk/limit of risk exposure.

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 internal audit reports as well as the Management's responses to the findings of the internal audit reports;

(c) reviewing the 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;

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(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) 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

(h) 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 co-operation 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.

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.

Statutory audit review and the effectiveness of the Company's material internal accounting controls are reviewed by the Company's external auditors, Messrs Ernst & Young LLP, to the extent it is relevant to their audit. 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 FY2015, the AC has reviewed the independence of the external auditors including the volume of non-audit services performed by the external auditors for the Group. The aggregate amount of fees paid to the Company's external auditors in FY2015 are tabulated in the table below:

Fees Paid	S$	%
Audit Services	247,000	95
Non-Audit Services	12,000	5
Total	259,000	100

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

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The AC has recommended to the Board, and the Board has accepted, the re-appointment of Messrs Ernst & Young LLP as the Company's external auditors for the current financial year ending 31 December 2016 at the forthcoming AGM. The AC confirms that Messrs Ernst & Young LLP 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 channels 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 FY2015.

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.

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 FY2015 amounted to S$334,000 and S$164,000 respectively. The S$164,000 non-audit fees were mainly in relation to purchase price allocation exercises and tax 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.

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' investment 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 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 FY2015, 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 of controls that are in place for its key business processes. 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:

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(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 on a half-yearly basis. The AC is satisfied that the internal audit is adequately resourced with persons with the relevant qualifications and experience and has appropriate standing within the Group. 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.

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.

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.

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Half-yearly 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, 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 FY2015, 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. Up till FY2015, the Constitution allowed a Shareholder to appoint up to two proxies to attend and vote at all general meetings on his/her behalf. On 3 January 2016, the 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.

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.

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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 FY2015 or if not then subsisting, entered into since the end of the financial year ended 31 December 2014.

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.

DeClout 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, DeClout 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 FY2015.

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, Canaccord Genuity Singapore Pte. Ltd., for FY2015.

DIRECTORS' STATEMENT AND **FINANCIAL STATEMENTS**

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of 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 2015.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheets 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 2015 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
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' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, 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 beginning of the financial year/date of appointment	At end of the financial year
The Company				
Ordinary shares				
Wong Kok Khun	15,877,500	18,877,500	53,019,570	55,019,570
Kow Ya	6,000,000	10,000,000	–	–
Ho Chew Thim	300,000	375,000	–	–
Hew Koon Chan	–	75,000	–	–
Ch'ng Li-Ling	–	75,000	–	–
Options granted under DeClout Employee Share Option Scheme				
Wong Kok Khun	2,232,558	2,232,558	–	–
Kow Ya	558,139	558,139	–	–
Shares granted under DeClout Performance Share Plan				
Kow Ya	1,600,000	1,600,000	–	–
Ho Chew Thim	250,000	175,000	–	–
Hew Koon Chan	250,000	175,000	–	–
Ch'ng Li-Ling	250,000	175,000	–	–

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.

There was no change in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2016.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

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.

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)

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 immediately 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 cancelled during the year	Number of options outstanding as at end of the year	Exercise price $
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

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

DIRECTORS' STATEMENT

SHARE OPTIONS AND AWARDS (CONT'D)

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

(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, there were no shares of the Company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

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 Performance Share Plan ("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.

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.

DIRECTORS' STATEMENT

SHARE OPTIONS AND AWARDS (CONT'D)

DeClout Performance Share Plan ("DeClout PSP") (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 $
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	

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	Market price $
Directors					
Kow Ya	1,600,000	–	–	1,600,000	0.2600
Ho Chew Thim	250,000	–	(75,000)	175,000	0.2850
Hew Khoon Chan	250,000	–	(75,000)	175,000	0.2850
Ch'ng Li-Ling	250,000	–	(75,000)	175,000	0.2850
	2,350,000	–	(225,000)	2,125,000	

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 are included 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.

DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROLS

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the AC and the board are of the opinion that Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year.

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

Kow Ya
Director

28 March 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECLOUT LIMITED

For the financial year ended 31 December 2015

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of DeClout Limited (the "Company") and its subsidiaries (collectively, the "Group") set out in pages 61 to 137, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flows statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

OTHER MATTERS

The financial statements for the year ended 31 December 2014 were audited by another auditor whose report dated 2 April 2015 expresses an unqualified opinion on those financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DECLOUT LIMITED

For the financial year ended 31 December 2015

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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000
Revenue	4	279,466	157,009
Cost of sales		(209,769)	(115,443)
Gross profit		69,697	41,566
Other items of income			
Other income	5	2,536	1,821
Other items of expense			
Other charges, net	6	(2,357)	(1,845)
Selling expenses		(11,700)	(7,147)
Administrative expenses		(47,738)	(29,835)
Finance costs	7	(2,699)	(1,061)
Share of results of associates		221	146
Profit before tax	8	7,960	3,645
Income tax expense	10	(253)	(505)
Profit for the year, net of tax		7,707	3,140
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(748)	(41)
Other comprehensive income for the year, net of tax		(748)	(41)
Total comprehensive income for the year		6,959	3,099
Profit attributable to:			
Owners of the Company		4,978	1,708
Non-controlling interests		2,729	1,432
		7,707	3,140
Total comprehensive income attributable to:			
Owners of the Company		4,462	1,651
Non-controlling interests		2,497	1,448
		6,959	3,099
Earnings per share attributable to owners of the Company (cents per share)			
Basic	11	1.08	0.54
Diluted	11	0.91	0.51

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

BALANCE SHEETS

As at 31 December 2015

	Note	Group		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current assets					
Property, plant and equipment	12	19,458	17,818	531	840
Investment in subsidiaries	13	–	–	67,661	36,148
Investment in associates	14	7,793	3,080	–	–
Intangible assets	15	58,023	24,166	–	–
Finance lease receivables	16	1,456	365	–	–
Other financial receivable	17	1,454	–	–	–
Deferred tax assets	10	3,770	2,264	–	–
		91,954	47,693	68,192	36,988
Current assets					
Inventories	18	18,509	15,844	–	–
Trade and other receivables	19	80,856	79,421	36,605	7,842
Finance lease receivables	16	1,234	1,569	–	–
Other assets	20	4,621	2,980	341	386
Derivative financial assets	21	–	691	–	–
Cash and cash equivalents	22	22,724	11,702	471	1,132
		127,944	112,207	37,417	9,360
Total assets		219,898	159,900	105,609	46,348
Current liabilities					
Trade and other payables	23	49,316	57,385	7,139	3,778
Other liabilities	24	3,713	3,063	–	–
Loans and borrowings	25	39,745	26,344	4,423	21
Income tax payables		1,194	1,380	–	–
		93,968	88,172	11,562	3,799
Net current assets		33,976	24,035	25,855	5,561
Non-current liabilities					
Deferred tax liabilities	10	1,146	394	–	–
Trade and other payables	23	3,255	3,417	–	–
Loans and borrowings	25	17,610	8,125	8,250	–
Provisions	26	382	308	238	238
		22,393	12,244	8,488	238
Total liabilities		116,361	100,416	20,050	4,037
Net assets		103,537	59,484	85,559	42,311
Equity attributable to owners of the Company					
Share capital	27	86,953	41,775	86,953	41,775
Retained earnings		10,787	5,809	(5,163)	(700)
Other reserves	28	(15,911)	(620)	3,769	1,236
		81,829	46,964	85,559	42,311
Non-controlling interests		21,708	12,520	–	–
Total equity		103,537	59,484	85,559	42,311
Total equity and liabilities		219,898	159,900	105,609	46,348

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 2015

	Attributable to owners of the Company					
Group	Share Capital (Note 27) $'000	Other reserves (Note 28) $'000	Retained earnings $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
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 a subsidiary 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 2015

Group	Attributable to owners of the Company					
	Share Capital (Note 27) $'000	Other reserves (Note 28) $'000	Retained earnings $'000	Equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 January 2014	34,625	(2,421)	4,101	36,305	1,325	37,630
Profit for the year	–	–	1,708	1,708	1,432	3,140
Other comprehensive income, net of tax						
Foreign currency translation	–	(57)	–	(57)	16	(41)
Total comprehensive income for the year	–	(57)	1,708	1,651	1,448	3,099
Contributions by and distributions to owners						
Issuance of ordinary shares for acquisitions of subsidiaries	7,150	–	–	7,150	–	7,150
Issuance of ordinary shares pursuant to PSP	24	(24)	–	–	–	–
Contributions from non-controlling interests of a subsidiary	–	1,213	–	1,213	9,035	10,248
Share issuance expense	(24)	–	–	(24)	–	(24)
Share-based payments	–	1,040	–	1,040	–	1,040
Changes in ownership interests in subsidiaries						
Acquisition of subsidiaries	–	–	–	–	1,490	1,490
Acquisition/disposal of non-controlling interests of a subsidiary without a change in control	–	(371)	–	(371)	(778)	(1,149)
Total transactions with owners in their capacity as owners	7,150	1,858	–	9,008	9,747	18,755
Balance as at 31 December 2014	41,775	(620)	5,809	46,964	12,520	59,484

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 2015

Company	Share capital (Note 27) $'000	Retained earnings $'000	Other reserves (Note 28) $'000	Total equity $'000
2015				
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
Issue of ordinary shares for acquisition of subsidiaries and associates	41,135	–	–	41,135
Issue of ordinary share 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
2014				
Balance at 1 January 2014	34,625	(1,877)	220	32,968
Profit for the year, representing total comprehensive income for the year	–	1,177	–	1,177
Contributions by and distributions to owners				
Issue of ordinary shares for acquisitions of subsidiaries	7,150	–	–	7,150
Issue of ordinary share pursuant to PSP	24	–	(24)	–
Share issuance expense	(24)	–	–	(24)
Share-based payments	–	–	1,040	1,040
Balance at 31 December 2014	41,775	(700)	1,236	42,311

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 2015

	Group	
	2015	2014
	$'000	$'000
Cash flows from operating activities		
Profit before tax	7,960	3,645
Adjustments for:		
Depreciation of plant and equipment	5,387	4,496
Amortisation of intangible assets	1,735	1,045
Intangible assets written off	31	–
Impairment of goodwill	–	3,932
Gain on bargain purchase	–	(3,137)
(Gain)/loss on disposal of plant and equipment	(233)	79
Plant and equipment written off	15	–
Share-based payments	3,608	1,040
Share of results of associates	(221)	(146)
Interest income	(272)	(218)
Interest expenses	2,699	1,061
Exchange differences	(218)	78
Operating cash flows before changes in working capital	20,491	11,875
Increase in inventories	(3,023)	(5,250)
Decrease/(increase) in trade and other receivables	44	(43,203)
(Increase)/decrease in finance lease receivables	(2,209)	1,055
Decrease/(increase) in other assets	254	(544)
Decrease in other liabilities	–	(104)
(Decrease)/increase in trade and other payables	(9,437)	30,365
Cash generated from/(used in) operations	6,120	(5,806)
Income taxes paid	(2,025)	(50)
Net cash flows generated from/(used in) operating activities	4,095	(5,856)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,816)	(6,024)
Proceeds from disposal of property, plant and equipment	486	312
Additions to intangible assets	(116)	(41)
Net outflows from acquisitions of subsidiaries (Note 13)	(396)	(13,893)
Net cash on disposal of subsidiary (Note 13)	173	–
Interest received	272	218
Net cash flows used in investing activities	(4,397)	(19,428)

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 2015

	Group	
	2015	2014
	$'000	$'000
Cash flows from financing activities		
(Repayment of)/Proceeds from convertible redeemable preference shares (Note 25)	(1,221)	2,000
Share issuance expense	(32)	(24)
Contributions from non-controlling interests	9,474	4,752
Acquisitions of non-controlling interests	(17,118)	–
Dividends paid to non-controlling interests	(120)	–
Release/(placement) of fixed deposits pledged for bank facilities	184	(444)
Proceeds from loans and borrowings	93,791	68,964
Repayments of loans borrowings	(71,165)	(52,575)
Interest paid	(2,397)	(951)
Net cash flows from financing activities	11,396	21,722
Net increase/(decrease) in cash and cash equivalents	11,094	(3,562)
Effect of exchange rate changes on cash and cash equivalents	247	–
Cash and cash equivalents at beginning of the financial year	10,361	13,923
Cash and cash equivalents at end of the financial year (Note 22)	21,702	10,361

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 2015

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 2015. 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 1 *Disclosure Initiative*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115 and FRS 109, 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 and FRS 109 are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

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

FRS 115 *Revenue from Contracts with Customers*

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

Key issues for the Group include identifying performance obligations, accounting for contract modifications, 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 2017 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 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.

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 2015

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.

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 2015

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 2015

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 risks 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 2015

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.

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.

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. 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 included in assumptions about the number of options that are expected to become exercisable. 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 become exercisable. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.11 Share-based compensation (cont'd)

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, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the entity's shares (or an estimated market price, if the entity's shares are not publicly traded). 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.13 Taxes (cont'd)

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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.15 Intangible assets (cont'd)

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	-	5 years
Customer contracts	-	5 years
Payment gateway	-	5 years
Technical know-how	-	5 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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.17 Financial instruments (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.17 Financial instruments (cont'd)

De-recognition

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

Initial recognition and measurement

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

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

Subsequent measurement

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.18 Convertible redeemable preference shares

Convertible redeemable preference shares 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 a 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

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.

2.22 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.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

2.24 Provisions

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

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

2.25 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.

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:

Business Combinations

In accounting for business combinations, judgement is required in determining whether the transaction meets the definition of a business combination in accordance with FRS 103 *Business Combinations*. If an entity obtains control of one or more other entities that are not businesses, the bringing together of those entities is not a business combination. In making this judgement, the Group evaluates, among other factors, whether the entity acquired has an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to participants. During the financial year 2015, the Group acquired a subsidiary that did not meet the criteria of a business combination, and was accounted for as an asset acquisition (Note 13).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

3.2 Key sources of estimation uncertainty (cont'd)

Impairment of goodwill

As disclosed in Note 15 to the financial statements, the recoverable amounts of the cash generating units to which goodwill have been allocated to are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 15 to the financial statements. The carrying amount of the goodwill as at 31 December 2015 is $49,333,000 (2014: $21,395,000).

4. REVENUE

	Group	
	2015	2014
	$'000	$'000
Trading sales	224,188	120,100
Rendering of services	48,857	31,846
Rental and leasing	3,275	2,852
Games hosting	3,146	2,211
	279,466	157,009

5. OTHER INCOME

	Group	
	2015	2014
	$'000	$'000
Interest income	272	218
Government grants	418	294
Commission income	147	154
Recovery of freight costs	495	322
Sales of other ancillary services	700	374
Sales of sample inventories	295	130
Others	209	329
	2,536	1,821

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

6. OTHER CHARGES, NET

	Group	
	2015	2014
	$'000	$'000
Items of expense		
Amortisation of intangible assets (Note 15)	(1,182)	(383)
Allowance for impairment on trade receivables (Note 19)	(813)	(265)
Inventories written off	(865)	(396)
Prepayment written off	(271)	–
Plant and equipment written off	(15)	–
Intangible assets written off	(31)	–
Impairment of goodwill	–	(3,932)
Loss on disposal of plant and equipment	–	(79)
Others	(261)	(26)
	(3,438)	(5,081)
Items of income		
Foreign exchange gain	848	99
Gain on disposal of plant and equipment	233	–
Gain on bargain purchase	–	3,137
	1,081	3,236
	(2,357)	(1,845)

7. FINANCE COSTS

	Group	
	2015	2014
	$'000	$'000
Interest expense on loans and borrowings	2,464	951
Imputed interest expense of convertible redeemable preference shares (Note 25)	235	110
	2,699	1,061

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

8. PROFIT BEFORE TAX

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

	Group	
	2015	2014
	$'000	$'000
Audit fees for auditors of the Company	247	208
Audit fees for other auditors	334	135
Non-audit fees for auditors of the Company	12	18
Non-audit fees for other auditors	164	41
Employee benefits expense (Note 9)	47,296	31,738
Rental of premises	3,103	2,160
Depreciation of property, plant and equipment	5,387	4,496
Professional fees	1,521	1,570

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2015	2014
	$'000	$'000
Directors' fees	231	280
Salaries, allowances, bonuses and commissions	38,692	26,545
Contributions to defined contribution plans	2,616	1,846
Share-based payments (Note 29)	3,608	1,040
Other benefits	2,149	2,027
	47,296	31,738
The employee benefits expense is included under:		
Administrative expenses	32,334	20,497
Cost of sales	5,475	4,500
Selling expenses	9,487	6,741
	47,296	31,738

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10. INCOME TAX EXPENSE

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

	Group	
	2015	2014
	$'000	$'000
Current tax expense:		
Current tax expense	(1,871)	(1,072)
Over provision in respect of prior years	77	–
	(1,794)	(1,072)
Deferred tax credit:		
Current deferred tax credit	1,579	539
(Under)/over provision in respect of prior years	(38)	28
	1,541	567
Income tax expense recognised in profit or loss	(253)	(505)

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 2015 and 2014 is as follows:

	Group	
	2015	2014
	$'000	$'000
Profit before tax	7,960	3,645
Tax calculated at statutory rate of 17% (2014: 17%)	(1,353)	(620)
Effect of different tax rates in different countries	(428)	(307)
Non-deductible items	(1,414)	(672)
Tax exemptions	616	20
Tax incentives	1,381	1,131
Benefits from previously unrecognised tax losses	853	–
Deferred tax assets not recognised	–	(108)
Over provision in respect of prior years	39	28
Share of results of associates	38	25
Others	15	(2)
Total income tax expense	(253)	(505)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10. INCOME TAX EXPENSE (CONT'D)

Deferred tax credit recognised in profit or loss includes:

	Group	
	2015	2014
	$'000	$'000
Differences in amortisation of intangible assets	281	82
Differences in depreciation for tax purposes	1,429	(125)
Unutilised tax losses	(209)	78
Unutilised capital allowances	(324)	447
Provision	215	143
Other temporary differences	149	(58)
Total deferred tax credit recognised in profit or loss	1,541	567
Deferred tax balance in balance sheets:		
Deferred tax (liabilities)/assets:		
Arising from acquisitions of subsidiaries	(807)	(266)
Excess of tax values over net book value of plant and equipment / (net book value of plant and equipment over tax values)	829	(600)
Unutilised tax losses	1,270	1,479
Unutilised capital allowances	802	1,126
Provision	368	153
Other temporary differences	162	(22)
	2,624	1,870
Presented in the balance sheets as follow:		
Deferred tax assets	3,770	2,264
Deferred tax liabilities	(1,146)	(394)
	2,624	1,870

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $Nil (2014: $635,000) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10. INCOME TAX EXPENSE (CONT'D)

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 $11,023,000 (2014: $7,865,000). The deferred tax liability is estimated to be $2,397,000 (2014: $1,237,000).

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:

	2015 $'000	2014 $'000
Profit, net of tax attributable to owners of the Company	4,978	1,708

	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation	460,706	318,489
Effect of dilutions:		
- Share options	933	1,747
- Contingently issuable performance shares	20,748	7,452
- Contingently issuable shares pursuant to acquisition of a subsidiary	66,863	4,477
Weighted average number of ordinary shares for diluted earnings per share computation	549,250	332,165

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 or valuation:						
At 1 January 2014	–	2,977	238	12,767	–	15,982
Additions	–	63	–	6,350	–	6,413
Arising from acquisitions of subsidiaries	6,300	222	–	963	613	8,098
Disposals	–	–	–	(2,192)	(402)	(2,594)
Exchange differences	–	(19)	–	(68)	–	(87)
At 31 December 2014 and 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	6,300	3,646	238	22,194	141	32,519

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land and buildings $'000	Leasehold improvements $'000	Restoration costs $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation:						
At 1 January 2014	–	1,010	107	6,572	–	7,689
Depreciation for the year	–	663	48	3,733	52	4,496
Disposals	–	–	–	(2,101)	(102)	(2,203)
Exchange differences	–	(14)	–	4	22	12
At 31 December 2014 and 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	–	2,362	202	10,505	(8)	13,061
Net book value:						
At 31 December 2014	6,300	1,584	83	9,612	239	17,818
At 31 December 2015	6,300	1,284	36	11,689	149	19,458

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold improvements $'000	Restoration costs $'000	Plant and equipment $'000	Total $'000
Cost:				
At 1 January 2014	1,722	238	331	2,291
Additions	–	–	15	15
At 31 December 2014 and 1 January 2015	1,722	238	346	2,306
Additions	46	–	125	171
At 31 December 2015	1,768	238	471	2,477
Accumulated depreciation:				
At 1 January 2014	738	104	141	983
Depreciation for the year	344	47	92	483
At 31 December 2014 and 1 January 2015	1,082	151	233	1,466
Depreciation for the year	351	48	81	480
At 31 December 2015	1,433	199	314	1,946
Net book value:				
At 31 December 2014	640	87	113	840
At 31 December 2015	335	39	157	531

The depreciation expense is included under:

	Group	
	2015 $'000	2014 $'000
Cost of sales	2,657	2,292
Administrative expenses	2,730	2,204
	5,387	4,496

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 $1,174,000 (2014: $388,000) and $740,000 (2014: Nil) 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 2015 are $1,683,000 (2014: $2,359,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as security

Two freehold properties with carrying value of $4,400,000 (2014: $4,400,000) are pledged as security for certain bank loans.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 $'000	2014 $'000
Cost at the beginning of the year	36,148	16,699
Additional investment in subsidiaries	31,513	20,574
Disposal of non-controlling interests pursuant to an acquisition of a subsidiary	–	(1,125)
Cost at the end of the year	67,661	36,148
Total cost comprising:		
Unquoted equity shares at cost	67,661	36,148

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 2015 %	2014 %
Held by DeClout Limited:			
Acclivis Technologies and Solutions Pte. Ltd. ("Acclivis") [a] Singapore	Business of supply, rental and maintenance of computer hardware and peripheral equipment	72	100
Corous360 Pte. Ltd. ("Corous360") [a] Singapore	Business of provision of data centre services, co-location services and IT management services	75	100
Beaqon Pte. Ltd. ("Beaqon") [a] Singapore	Telecommunications resellers and third parties telecommunications providers	85	85
Procurri Corporation Pte. Ltd. ("Procurri Corp") [a] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment and investment holding	69	70
DeClout (Shanghai) Co., Ltd. [c] China, Shanghai	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2015 %	2014 %
Held through Acclivis:			
PT Acclivis Technologies and Solutions [c] Indonesia	Business of supply, rental and maintenance of computer hardware and peripheral equipment	100	100
OSINet Communications Pte Ltd ("OSINet") [a] Singapore	Business of Internet Service Provider, and provision of internet and data access	100	–
Acclivis Technologies (Thailand) Limited (Acclivis Tech Thai") [c] [g] Thailand	Investment holding	100	–
Acclivis Solutions (Thailand) Limited [c] [g] Thailand	Investment holding	100	–
Held through Acclivis Tech Thai:			
Pacnet Internet (Thailand) Limited ("Pacnet Thai") [c] 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. [c] 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	Business of provision of data centre services, colocation services and IT management services	100	100
Netipay Pte. Ltd. ("Netipay") [a] Singapore	Business of provision of mobile cellular, radio paging and other wireless telecommunications activities	100	100
PT Max Interactives Technologies ("Maxitech") [c] Indonesia	Business of provision of mobile cellular, radio paging and other wireless telecommunications activities	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2015 %	2014 %
Epicsoft Asia Pte. Ltd. ("Epicsoft Asia") [a] Singapore	Distribution of game softwares, game codes, and other related consumer products	100	51
Corous360 Information Technology (Shenzhen) Company Limited ("Corous360 Shenzhen") [c] [g] China	Research and development in information technology ("IT") related activities and provision of IT consultancy services	100	–
Play-E Pte. Ltd. ("PlayE") [a] Singapore	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
Held through AWS Singapore:			
Multidata Distribution Sdn. Bhd. [h] Malaysia	Distributor for cable, plug, connector, adaptor and tools	–	100
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	70
AWS Cambodia Ltd [c] Cambodia	General importers and exporters of electronics and related equipment	55	55

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2015 %	2014 %
Held through Multidata Distribution Sdn. Bhd.:			
AWS (M) Sdn. Bhd. [h] Malaysia	Distributor for cable, plug, connector, adaptor and tools	–	60
AWS (PG) Sdn. Bhd. [h] Malaysia	Distributor for cable, plug, connector, adaptor and tools	–	60
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 [a] Singapore	Business of supply, rental and maintenance and servicing of computer hardware and peripherals equipment	51	–
ASVIDA UK Limited [c] United Kingdom	Investment holding	100	100
Held through ASVIDA UK Limited:			
Procurri LLC [f] United States	Business of provision of information technology solutions	100	100
Tinglobal Holdings Limited ("Tinglobal") [b] United Kingdom	Investment holding	100	51
Held through Tinglobal:			
Tinglobal Limited [b] United Kingdom	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiary/ Principal place of business	Principal activities	Percentage of equity held 2015 %	Percentage of equity held 2014 %
Held through Procurri LLC:			
Procurri S. DE R.L DE C.V [d] [g] Mexico	Business of provision of information technology solutions	100	–
Held through Tinglobal Limited:			
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	100
Powercore International Limited [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	100
Powercore Holdings Limited [b] United Kingdom	Dormant	100	100

[a] Audited by Ernst & Young LLP in Singapore.
[b] Audited by member firms of EY Global in the respective countries.
[c] These subsidiaries are not significant to the Group and are audited by other firms of accountants.
[d] Not audited, as it is immaterial and not required by the law of local jurisdiction.
[e] Audited by Strategic Audit Alliance PAC.
[f] Audited by Moore Stephens Tiller LLC.
[g] Incorporated during the year
[h] Disposed during the year

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisitions of subsidiaries

The fair value of identifiable assets acquired and liabilities assumed for acquisitions by the Group during the financial year ended 31 December 2015 are set out below.

	OSINet $'000	Procurri Asia Pacific $'000	Pacnet Thai $'000	PlayE $'000	Total $'000
Fair value of identifiable assets and liabilities					
Property, plant and equipment	777	–	450	–	1,227
Intangible assets	1,566	–	1,201	1,753	4,520
Inventories	3	–	–	–	3
Trade and other receivables	497	200	1,178	160	2,035
Other assets	138	–	949	189	1,276
Trade and other payables	(924)	–	(1,122)	(338)	(2,384)
Other liabilities	(3)	–	(722)	–	(725)
Loans and borrowings	–	–	(3)	–	(3)
Tax payables	(10)	–	(234)	–	(244)
Deferred tax liabilities	(266)	–	(288)	(268)	(822)
Cash and cash equivalents	812	–	1,571	201	2,584
	2,590	200	2,980	1,697	7,467
Less: Non-controlling interests, measured at non-controlling interests share of identifiable net assets	–	(98)	–	(2)	(100)
Net assets acquired	2,590	102	2,980	1,695	7,367
Goodwill	11,610	–	–	17,168	28,778
Purchase considerations	14,200	102	2,980	18,863	36,145
Consideration transferred for the acquisitions					
Cash paid	–	–	2,980	–	2,980
Issuance of the Company's ordinary shares	14,200	102	–	4,800	19,102
Issuance of subsidiary's ordinary shares	–	–	–	14,063	14,063
Purchase considerations	14,200	102	2,980	18,863	36,145
Cash and cash equivalents of subsidiaries acquired	812	–	1,571	201	2,584
Less: Cash paid	–	–	(2,980)	–	(2,980)
Net inflows/(outflows) from acquisitions of subsidiaries	812	–	(1,409)	201	(396)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of OSINet Communications Pte Ltd

On 12 January 2015, Acclivis Technologies and Solutions Pte Ltd ("Acclivis") acquired OSINet Communications Pte Ltd ("OSINet") for a purchase consideration of $14,200,000. The consideration was satisfied with an issuance of 63,000,000 of the Company's shares at a price at 90% of the weighted average price on the full market day on which the Sale and Purchase ("S&P") Agreement was signed. Upon the acquisition, OSINet became a 100% owned subsidiary of the Group.

Under the S&P Agreement, the Vendor transferred a sum of $3,000,000 to the Group as security for the achievement of certain targets stipulated under the S&P Agreement. On 23 October 2015, a supplemental agreement was entered with the Vendor and the retained sum of $3,000,000 was repaid to the vendor.

Transaction costs related to the acquisition of $80,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2015.

Acquisition of Procurri Asia Pacific Pte Ltd

On 2 February 2015, Procurri Corporation Pte Ltd ("Procurri Corp") acquired 51% of Procurri Asia Pacific Pte Ltd ("Procurri Asia Pacific") at a consideration of $102,000. The consideration was satisfied in full by the issuance of shares in the Company at an issue price of S$0.225 per share. Upon the acquisition, Procurri Asia Pacific became a subsidiary of the Group.

The material terms under the Sale & Purchase Agreement are as follows:

a) The vendor had waived its rights in relation to the profits attributable to Procurri Asia Pacific for a period of two years until the financial year ending 31 December 2016.
b) A call option was granted to the Group by the non-controlling shareholder allowing the Group to acquire the remaining shareholding interests in Procurri Asia Pacific during the period from 1 January 2016 to 31 December 2016.
c) A put option was written allowing the non-controlling shareholder the right to require the Group to acquire the remaining interests in Procurri Asia Pacific during the period from 1 January 2017 to 30 June 2017.

On 21 December 2015, a supplemental agreement was entered into to remove the put option in its entirety, and the call option was exercised by the Group at a consideration of $7,000,000 to be satisfied with allotment and issuance of 34,113,060 ordinary shares of the Company. The exercise of call option was not completed as at 31 December 2015.

This was accounted for as an asset acquisition with an amount of $2,598,000 paid for a technical know-how to be transferred to the Group. On 21 December 2015, the technical know-how was transferred from the vendors to the Group (Note 15).

Acquisition of Pacnet Internet (Thailand) Limited

On 13 November 2015, the Group entered into a share purchase agreement to acquire the entire issued and paid-up share capital of Pacnet Internet (Thailand) Limited ("Pacnet Thai"). The purchase consideration amounting to $2,980,000 was paid in cash. Upon the acquisition, Pacnet Thai became a 100% owned subsidiary of the Group. Transaction costs related to the acquisition of $74,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisitions of Play-E Pte Ltd

On 2 November 2015, Corous360 acquired Play-E Pte Ltd ("PlayE") for a purchase consideration of $18,862,501. The purchase consideration was satisfied with (a) $1 paid in cash; and (b) a refundable prepayment to the Vendor amounting to $18,862,500 to be satisfied by: (i) the allotment and issuance of 24,000,000 new ordinary shares in the capital of the Company ("Shares") at an issue price of $0.20 per share to the Vendor and/or its permitted nominees; and (ii) the allotment and issuance of 1,250,000 new ordinary shares in the capital of Corous360 at an issue price of S$11.25 per share. Upon the acquisition, PlayE became a 75% owned subsidiary of the Group.

The refundable prepayment of $18,862,500 shall be refundable to the Corous360 in the event that PlayE fails to meet certain targets for the financial year ending 31 December 2016 ("FY2016"). The Group assessed that the probability of PlayE meeting its targets was assessed to be at least 99% and thus an amount of $189,000 of refundable prepayment was recognised as contingent asset accounted pursuant to the purchase price allocation exercise of PlayE.

Transaction costs related to the acquisition of $40,000 have been recognised under the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2015.

Initial accounting for identifiable assets and liabilities

The acquisition fair value of the identifiable assets acquired and liabilities assumed for Pacnet Thai and PlayE are provisional as the hindsight period (of not more than twelve months) allowed by FRS 103 Business Combinations has not yet expired. A formal assessment by an independent professional valuer on the fair values of the identifiable assets and liabilities of these subsidiaries is expected to be available before the end of the reporting year ending 31 December 2016. The provisional acquisition fair value of the identifiable assets acquired and liabilities assumed for Netipay in financial year ended 31 December 2014 was concluded during the financial year ended 31 December 2015 with the carrying value of goodwill and intangible assets adjusted by $356,000 respectively (Note 15).

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.

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:

	OSINet	Pacnet Thai	PlayE	Total
	$'000	$'000	$'000	$'000
Contributions from date of acquisition				
Revenue	7,535	503	4,642	12,680
Profit/(loss), net of tax	2,487	(27)	570	3,030
Contributions for 2015 had the acquisition took place at the beginning of the year				
Revenue	7,535	6,819	4,792	19,146
Profit, net of tax	2,487	50	570	3,107

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For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Disposal of Multidata Distribution Sdn Bhd and its subsidiaries

On 1 December 2015, AWS Singapore completed the disposal of its 60% equity interests in Multidata Distribution Sdn Bhd and its subsidiaries ("AWS Malaysia Group") for a cash consideration of $248,000. The value of assets and liabilities of AWS Malaysia Group recorded in the consolidated financial statements as at 1 December 2015, and the effects of the disposal were:

	AWS Malaysia Group $'000
Carrying value/fair value of identifiable assets and liabilities	
Property, plant and equipment	72
Inventories	649
Trade and other receivables	553
Other assets	94
Trade and other payables	(1,101)
Loans and borrowings	(63)
Cash and cash equivalents	75
	279
Less: Contributions from non-controlling interests	(31)
Net assets disposed	248
Cash proceeds received	248
Net assets de-recognised	(248)
Gain on disposal	–
Cash proceeds received	248
Cash and cash equivalents disposed	(75)
Net cash on disposal of subsidiary	173

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
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
Corous360 Pte. Ltd. and its subsidiaries ("Corous Group")	25.0%	–	3,358
2014			
Procurri Corporation Pte. Ltd. and its subsidiaries ("Procurri Group")	29.7%	937	8,803

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For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

The non-controlling interests of Acclivis Technologies and Solutions 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) and Corous360 Pte Ltd (until 31 December 2018) respectively. Accordingly, no profit has been allocated to NCI during the financial year.

Summarised financial information about subsidiaries with material NCI

	2015			2014
	Procurri Group $'000	Acclivis Group $'000	Corous Group $'000	Procurri Group $'000
Summarised balance sheets				
Current assets	54,102	41,006	21,003	60,051
Current liabilities	(41,408)	(37,815)	(38,016)	(48,926)
Net current assets/(liabilities)	12,694	3,191	(17,013)	11,125
Non-current assets	26,780	19,190	34,370	23,389
Non-current liabilities	(5,149)	(2,450)	(1,446)	(3,730)
Net non-current assets	21,631	16,740	32,924	19,659
Net assets	34,325	19,931	15,911	30,784
Summarised statement of comprehensive income				
Revenue	122,815	56,592	53,034	74,087
Profit before tax	9,997	(1,658)	1,511	4,050
Profit after tax	8,772	(696)	1,615	3,308
Other comprehensive income	(403)	(641)	190	(476)
Total comprehensive income	8,369	(1,337)	1,805	2,832
Summarised other financial information				
Net (decrease)/increase in cash flows	(2,840)	5,109	5,820	6,425
Acquisition of significant property, plant and equipment	2,883	1,376	66	4,282

Changes in shareholdings of subsidiary without loss of control

Acquisition of non-controlling interests shareholdings in AWS Wire Works (Thailand) Co. Ltd

On 7 July 2015, the Group acquired a 30% equity interest in AWS Wire Works (Thailand) Co. Ltd ("AWS Thailand"), representing the remaining equity interest held by non-controlling interest for a consideration of $131,000 satisfied by cash. As a result, AWS Thailand 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 amounting to $24,000 was recorded within equity (Note 28).

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For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Acquisition of non-controlling interests shareholdings in Tinglobal Ltd

On 31 August 2015, the Group acquired a 49% equity interest in Tinglobal Ltd, representing the remaining equity interest held by non-controlling interest for a consideration of S$9,355,000. The consideration was satisfied by cash and new issuance of the Company's shares and shares in Procurri Corp. As a result, Tinglobal 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 amounting to S$8,929,000 was recorded within equity (Note 28).

Acquisition of non-controlling interests shareholdings in Epicsoft Asia Pte Ltd

On 25 September 2015, the Group acquired a 49% equity interest in Epicsoft Asia Pte Ltd ("Epicsoft Asia"), representing the remaining equity interest held by non-controlling interest for a consideration of S$21,012,500. The consideration was satisfied by cash and new issuance of shares in Corous360. As a result, Epicsoft Asia 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 amounting to S$19,712,000 was recorded within equity (Note 28).

Partial dilution of Acclivis Technologies and Solutions Pte Ltd

On 23 October 2015, the Company diluted its interest in Acclivis from 100% to 72% pursuant to entering of two subscription agreements for the allotment of shares in the capital of Acclivis amounting to $5,500,000 for cash. The difference between the cash proceeds on subscription of shares and the proportionate share in net assets transferred to non-controlling interests amounting to S$156,000 was recorded within equity (Note 28).

Partial dilution of Corous360 Pte Ltd

On 23 January 2015, Company entered into an agreement with the vendor of Netipay to acquire all Corous360 shares held by the non-controlling interests via issuance of shares in the Company. The vendor had previously irrevocably renounced in favour of the Company all rights, title and interest in the Corous360 Shares. The difference between the fair value of shares issued and the proportionate share in net assets transferred from non-controlling interests amounting to S$5,670,000 was recorded within equity (Note 28).

On 25 September 2015, the Company diluted its interest in Corous360 from 100% to 93% pursuant to the issuance of shares by Corous360 for the acquisitions of non-controlling interests' shareholdings in Epicsoft Asia. The difference between the fair value of shares issued pursuant to the acquisition and the proportionate share in net assets transferred to non-controlling interests amounting to S$3,590,000 was recorded within equity (Note 28).

On 3 November 2015, the Company diluted its interest in Corous360 from 93% to 75% pursuant to shares issued by Corous360 as part of the consideration for the acquisition of PlayE. The difference between the fair value of shares issued pursuant to the acquisition and the proportionate share in net assets transferred to non-controlling interests amounting to S$9,927,000 was recorded within equity (Note 28).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

Partial dilution of Procurri Corp

On 31 August 2015, the Company diluted its interest in Procurri Corp from 70% to 69% pursuant to shares issued by Procurri Corp as part of the consideration for the acquisition of non-controlling interest's shareholdings in Tinglobal Ltd. The difference between the fair value of shares issued pursuant to the acquisition and the proportionate share in net assets transferred to non-controlling interests amounting to S$3,353,000 was recorded within equity (Note 28).

In 2014, the Company diluted its interest in Procurri Corp from 100% to 70.3% pursuant to a restructuring exercise. The difference between the proportionate share in net assets transferred to non-controlling interests and effects of the restructuring exercise was recorded against the equity of the Group.

14. INVESTMENT IN ASSOCIATES

	Group	
	2015	2014
	$'000	$'000
AWS Distribution Phils Corp.	3,364	3,080
vCargo Cloud Pte. Ltd	4,429	–
	7,793	3,080

The details of the associates are listed below:

Name of associates/ Principal place of business	Principal activities	Percentage of equity held	
		2015	2014
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 [(b) (c) (d)] Singapore	Designs and implements cloud services and solutions in the logistics industry	30	–

(a) Audited by Messrs J.F. Bato, Philippines.
(b) Audited by KY Chiang & Co.
(c) Acquired in 2015
(d) A contingent consideration of $2,400,000 exists as at 31 December 2015 pending the achievement of certain targets by vCargo Cloud Pte. Ltd. The targets have not been met and no liability has been recognised accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 Pte. Ltd.	AWS Distribution Phils Corp	
	2015	2015	2014
	$'000	$'000	$'000
Summarised balance sheets			
Current assets	527	10,990	10,293
Non-current assets	1,591	229	253
Total assets	2,118	11,219	10,546
Current liabilities	338	2,497	2,639
Non-current liabilities	382	95	168
Total liabilities	720	2,592	2,807
Group's share of net assets	419	3,451	3,096
Goodwill on acquisition	3,400	–	–
Other adjustment	610	(87)	(16)
	4,429	3,364	3,080
Summarised statement of comprehensive income			
Revenue	1,032	8,813	15,045
Profit after tax, representing total comprehensive income	28	730	718

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For the financial year ended 31 December 2015

15. INTANGIBLE ASSETS

Group	Goodwill	Customer relationship	Customer contracts	Technical know-how	Payment gateway	Games related	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2014	4,215	882	246	–	2,479	342	8,164
Additions	–	–	–	–	–	41	41
Arising from acquisitions of subsidiaries	21,395	948	–	–	–	–	22,343
At 31 December 2014 and 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 (Note 13)	(356)	–	–	–	356	–	–
Transfer from property, plant and equipment	–	–	–	–	100	–	100
Exchange differences	(484)	(7)	–	–	–	–	(491)
At 31 December 2015	53,548	4,590	1,821	2,598	3,229	–	65,786
Accumulated amortisation and impairment							
At 1 January 2014	283	514	135	–	330	143	1,405
Amortisation for the year	–	334	49	–	538	124	1,045
Impairment charge	3,932	–	–	–	–	–	3,932
At 31 December 2014 and 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	4,215	1,725	321	–	1,502	–	7,763
Net book value							
At 31 December 2014	21,395	982	62	–	1,611	116	24,166
At 31 December 2015	49,333	2,865	1,500	2,598	1,727	–	58,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15. INTANGIBLE ASSETS (CONT'D)

Acquisition of intangible assets

There was an acquisition of intangible asset by the Group with a total cost of $2,598,000 (2014: Nil) acquired via the issuance of shares of the Company during the year. (Note 13)

The amortisation expense is charged under:

	Group	
	2015	2014
	$'000	$'000
Cost of sales	553	662
Other charges, net (Note 6)	1,182	383
At the end of the year	1,735	1,045

Goodwill

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

	Group	
	2015	2014
	$'000	$'000
Name of subsidiaries:		
Platform business	18,267	1,099
OSINet	11,610	–
Tinglobal	10,813	11,297
Netipay	5,289	5,645
Procurri Malaysia	2,943	2,943
Pacific Wave	411	411
	49,333	21,395

Platform business

In 2015, 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. Cash flow projections were based on a three-year budget and plans approved by management. Cash flow projections have been extrapolated on the basis on a 13% to 19% growth rate. A terminal growth rate of 2% was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 13% 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15. INTANGIBLE ASSETS (CONT'D)

OSINet

In 2015, 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 four-year period. Cash flow projections were based on a one-year budget and plans approved by management. Cash flow projections beyond that one-year budget have been extrapolated on the basis on a terminal growth rate of 2%. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 12% 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.

Tinglobal

In 2015, 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 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 on a 20% growth rate. A terminal growth rate of 1% was used on cash flows after the 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 11% 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.

The recoverable amount of Tinglobal goodwill as at 31 December 2014 was estimated based on a comparison of listed multiples of similar companies. Based on a price to EBITDA multiple (discounted for size and control premiums) of 6.3 times, the recoverable amount of the Tinglobal goodwill was higher than its carrying amount as at 31 December 2014.

Netipay

In 2015, the recoverable amount of the goodwill was assessed using a value in use assessment of the respective CGU. The value in use was measured by management using a discounted cash flow model covering a five-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 on a 16% to 60% growth rate. A terminal growth rate of 2% was used on cash flows after the fifth year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 15% 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15. INTANGIBLE ASSETS (CONT'D)

Procurri Malaysia

In 2015, 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 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 on a 20% growth rate. A terminal growth rate of 1% was used on cash flows after the 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 11% 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.

In 2014, the recoverable amount of goodwill was based on the fair value less cost of disposal method by assessing the imputed price to EBITDA multiples of the respective CGU. No impairment allowance was recognised because the carrying amount of the CGU was lower than its recoverable amount.

Pacific Wave

In 2015, 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 on cash flows after the third year. The terminal growth rate does not exceed the long-term average growth rate of the sector. The discount rate applied (weighted average cost of capital "WACC" gross of tax effect) was 12% 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.

In 2014, the recoverable amount of goodwill was based on the fair value less cost of disposal method by assessing the imputed price to EBITDA multiples of the respective CGU. No impairment allowance was recognised because the carrying amount of the CGU was lower than its recoverable amount.

Technical know-how

Technical know-how was acquired from the vendors of Procurri Asia Pacific (Note 13). No amortisation expense has been recognised as the amount is insignificant.

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For the financial year ended 31 December 2015

16. FINANCE LEASE RECEIVABLES

Group 2015	Minimum payments $'000	Finance charges $'000	Present value $'000
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
2014			
Minimum lease payments receivable:			
Due within one year	1,726	(157)	1,569
Due between two to five years	385	(20)	365
Total	2,111	(177)	1,934

The average lease term is two to five years (2014: two to four years). The average effective interest rate is 1.7% to 7.0% (2014: 1.7% to 8.3%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental receipts. The fair value of the finance lease receivables approximates the carrying value.

17. OTHER FINANCIAL RECEIVABLE

	Group	
	2015 $'000	2014 $'000
Nominal value of exchangeable loan	1,350	–
Embedded derivatives	(35)	–
	1,315	–
Interest accreted	20	–
Unrealised foreign exchange	84	–
Embedded derivatives	35	–
	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 that 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 2015.

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. Had the probability of exchange increased or decreased by 10%, profit or loss will increase/decrease by $13,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

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18. INVENTORIES

	Group	
	2015	2014
	$'000	$'000
Finished goods	18,509	15,844
Cost of inventories charged to profit or loss	171,478	88,898

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables				
Outside parties [(a)]	72,286	75,987	–	–
Less allowance for impairment	(582)	(113)	–	–
	71,704	75,874	–	–
Subsidiaries	–	–	–	5,803
Associates	126	–	–	–
Unbilled receivables	3,840	1,637	–	–
	75,670	77,511	–	5,803
Other receivables				
Outside parties	5,186	1,910	34	782
Subsidiaries [(b)]	–	–	36,571	1,257
	5,186	1,910	36,605	2,039
Total trade and other receivables	80,856	79,421	36,605	7,842
Add: Finance lease receivables	2,690	1,934	–	–
Add: Other financial receivable [(c)]	1,419	–	–	–
Add: Other assets (refundable deposits)	535	448	239	260
Add: Cash and cash equivalents	22,724	11,702	471	1,132
Total loans and receivables	108,224	93,505	37,315	9,234

(a) Included within trade receivables from outside parties are factored receivables of $695,000 (2014: $7,822,000) 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

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19. 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		Company	
	2015	2014	2015	2014
Trade receivables past due but not impaired	$'000	$'000	$'000	$'000
Less than 30 days	25,862	17,589	–	–
30 - 60 days	11,534	4,669	–	–
61 - 90 days	9,466	3,908	–	–
Over 90 days	9,956	8,151	–	–
	56,818	34,317	–	–

Receivables that are impaired

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

	Group	
	2015	2014
	$'000	$'000
Trade receivables – nominal amounts	582	113
Less: Allowance for impairment	(582)	(113)
	–	–
Movements in allowance for impairment		
Balance at beginning of the year	113	52
Charge for the year (Note 9)	813	265
Written off	(344)	(204)
Balance at end of the year	582	113

Trade receivables that are individually assessed to be impaired at the end of the reporting period relate to debtor 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 2015

20. OTHER ASSETS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Refundable deposits	535	448	239	260
Prepayments	3,951	1,028	102	126
Advances to suppliers	101	1,457	–	–
Others	34	47	–	–
	4,621	2,980	341	386

21. DERIVATIVE FINANCIAL ASSETS

	Group	
	2015	2014
	$'000	$'000
Call option arising from acquisition of Tinglobal	–	669
Exchange differences	–	22
Total at end of the year	–	691

The call option was exercised in 2015 and the fair value of the call option of $669,000 (Level 3) and was recognised as part of the acquisition which approximates its fair value as at 31 December 2014.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash and bank balances	22,724	11,702	471	1,132
Less: Bank overdrafts (Note 25)	(632)	(767)	–	–
	22,092	10,935	471	1,132
Less: Pledged deposits [a]	(390)	(574)	–	–
Cash and cash equivalents	21,702	10,361	471	1,132

[a] These amounts held by the bank as security for trust receipts and bank overdrafts (Note 25).

Cash at banks earns interest at floating rates based on bank deposit rates. The effective interest rates as at 31 December 2015 for the Group were 1.2% (2014: 1.9%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade payables (current)				
Outside parties	25,439	38,739	–	212
Accrued liabilities	3,977	2,828	455	–
	29,416	41,567	455	212
Other payables (current)				
Outside parties	2,177	7,301	254	535
Accrued liabilities [e]	16,295	7,217	–	–
Subsidiaries [a]	–	–	6,430	3,031
Directors of subsidiary [f]	1,428	–	–	–
Contingent consideration for business combination [d]	–	1,300	–	–
	19,900	15,818	6,684	3,566
Trade and other payables (current)	49,316	57,385	7,139	3,778
Other payables (non-current)				
Amounts owing to directors of subsidiary [b]	955	1,318	–	–
Outside parties	2,300	2,099	–	–
Trade and other payables (non-current)	3,255	3,417	–	–
Total trade and other payables	52,571	60,802	7,139	3,778
Add: Loans and borrowings [c]	57,188	34,371	12,673	21
Total financial liabilities carried at amortised cost	109,759	95,173	19,812	3,799

[a] The amounts owing to subsidiaries are non-trade in nature, unsecured, interest-free and 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 2016.

[c] Excludes embedded derivatives.

[d] The contingent consideration for business combination was settled in 2015 and no further adjustment required to the fair value of contingent consideration up to the date of settlement.

[e] Included an amount of $4,500,000 payable for acquisition of non-controling interests shareholdings in the Group's subsidiary.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24. OTHER LIABILITIES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Advanced billings	3,713	3,063	–	–

25. LOANS AND BORROWINGS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current				
Bank loans	11,928	6,137	4,423	–
Bank overdrafts	632	767	–	–
Convertible redeemable preference shares	–	972	–	–
Finance lease obligations	1,038	1,502	–	21
Trade receivables factoring	556	5,526	–	–
Trust receipts	24,134	11,006	–	–
Others	1,457	434	–	–
Current, total	39,745	26,344	4,423	21
Non-current				
Bank loans	14,476	5,647	8,250	–
Convertible redeemable preference shares	1,026	1,040	–	–
Embedded derivatives	167	98	–	–
Finance lease obligations	525	1,340	–	–
Others	1,416	–	–	–
Non-current, total	17,610	8,125	8,250	–
Total	57,355	34,469	12,673	21

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25. LOANS AND BORROWINGS (CONT'D)

Bank loans

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Current				
Bank loans (secured)	3,992	1,129	2,923	–
Bank loans (unsecured)	7,936	5,008	1,500	–
Current, total	11,928	6,137	4,423	–
Non-current				
Bank loans (secured)	9,878	2,695	8,250	–
Bank loans (unsecured)	4,598	2,952	–	–
Non-current, total	14,476	5,647	8,250	–
Total	26,404	11,784	12,673	–

Bank loan (secured) is secured by corporate guarantee by the subsidiary, fixed deposits and freehold properties of the Group. It is repayable in 24 to 240 (2014: 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 (2014: 0.75% over the bank's commercial financing rate and 1.75% over the 3 months SWAP rate) per annum.

Bank loan (unsecured) is covered by a corporate guarantee by the Company and/or its subsidiary and repayable in 36 to 48 (2014: 36) monthly instalments or rollover at each repayment date. The amount bears effective interest rates ranging between 2.5% over the bank's cost of fund and 4.5% (2014: 4.5%) per annum.

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

In 2014, a subsidiary breached certain bank covenants and obtained waiver letters subsequent to the year end. The related loans and borrowing was classified as current liabilities.

Bank overdrafts

Bank overdrafts bear effective interest rates ranging from 8.8% to 9.0% (2014: 3.5% to 8.85%) per annum. They are guaranteed by certain directors of a subsidiary and / or secured by pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25. LOANS AND BORROWINGS (CONT'D)

Convertible redeemable preference shares

	Group	
	2015	2014
	$'000	$'000
Nominal value of convertible redeemable preference shares issued, representing net proceeds	2,000	2,000
Embedded derivatives identified	(98)	(98)
Repayment during the year	(1,221)	–
Interest accreted (Note 7)	345	110
Liability component at end of the year	1,026	2,012

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.

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 $31,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25. LOANS AND BORROWINGS (CONT'D)

Finance lease obligations

	Group			Company		
Group 2015	Minimum payments	Finance charges	Present value	Minimum payments	Finance charges	Present value
	$'000	$'000	$'000	$'000	$'000	$'000
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	–	–	–
2014						
Minimum lease payments payable:						
Due within one year	1,607	(105)	1,502	23	(2)	21
Due between two to five years	1,397	(57)	1,340	–	–	–
Total	3,004	(162)	2,842	23	(2)	21

The Group leases certain of its plant and equipment under finance lease obligations. The average lease term is two to seven years (2014: two to four years). The interest rate for finance lease obligations is approximately 2.35% to 3.50% (2014: 1.11% to 6.20%) 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 is secured by a charge over trade receivables balances of $695,000 (2014: $7,822,000) on a recourse basis (Note 19). The amount of $695,000 (2014: $3,873,000) of the total trade receivables factoring is also guaranteed by a corporate guarantee given by the Company.

Trust receipts

Trust receipts are covered by a corporate guarantee given by the Company and /or secured by a fixed deposit of $100,000 (2014: $100,000). The interest rate for the trust receipts approximates 2.24% to 4.1% (2014: 2.24% to 7.50%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26. PROVISIONS

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Movements				
At beginning of the year	308	308	238	238
Additions	74	–	–	–
At end of the year	382	308	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 (2014: one to three years).

27. SHARE CAPITAL

	Number of shares issued	Share capital $'000
Ordinary shares of no par value		
Balance at 1 January 2014	306,761,520	34,625
Issue of ordinary shares pursuant to acquisition of subsidiaries	27,879,588	7,150
Issue of ordinary shares pursuant to the DeClout Performance Share Plan	200,000	24
Shares issuance expense	–	(24)
Balance at 31 December 2014	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 29)	4,942,500	1,075
Shares issuance expense	–	(32)
Balance at 31 December 2015	538,617,530	86,953

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

28. OTHER RESERVES

Group	Other reserve	Foreign currency translation reserve	Capital reserve	Share-based payment reserve (Note 29)	Total
	$'000	$'000	$'000	$'000	$'000
2015					
At beginning of the year	(2,250)	(127)	521	1,236	(620)
Share-based payments	–	–	–	3,608	3,608
Contributions from non-controlling interests	–	–	(466)	–	(466)
Acquisitions/disposal of non-controlling interests of a subsidiary without a change in control (Note 13)	–	–	(16,842)	–	(16,842)
Issuance of PSP (Note 27)	–	–	–	(1,075)	(1,075)
Exchange differences	–	(516)	–	–	(516)
At end of the year	(2,250)	(643)	(16,787)	3,769	(15,911)
2014					
At beginning of the year	(2,250)	(70)	(321)	220	(2,421)
Share-based payments	–	–	–	1,040	1,040
Acquisition/disposal of non-controlling interests of a subsidiary without a change in control	–	–	(371)	–	(371)
Contributions from non-controlling interest	–	–	1,213	–	1,213
Issuance of PSP	–	–	–	(24)	(24)
Exchange differences	–	(57)	–	–	(57)
At end of the year	(2,250)	(127)	521	1,236	(620)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. SHARE-BASED COMPENSATION

	Group and Company	
	2015	2014
	$'000	$'000
Employee share option scheme	541	373
Performance share plan	3,228	863
Share-based payment reserve	3,769	1,236

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. SHARE-BASED COMPENSATION (CONT'D)

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		Number of options outstanding as at beginning of the year	Number of options granted during the year	Number of options cancelled during the year	Number of options outstanding as at end of the year	Exercised price
2015	From	To					$
10 May 2015	10 May 2015	9 May 2023	1,674,418	–	–	1,674,418	0.1881*
10 May 2016	10 May 2016	9 May 2023	1,674,418	–	–	1,674,418	0.1881*
10 May 2017	10 May 2017	9 May 2023	2,232,557	–	–	2,232,557	0.1881*
2 January 2015	2 January 2015	1 January 2024	600,000	–	–	600,000	0.1290
2 January 2016	2 January 2016	1 January 2024	600,000	–	–	600,000	0.1290
2 January 2017	2 January 2017	1 January 2024	800,000	–	–	800,000	0.1290
			7,581,393	–	–	7,581,393	
2014							
10 May 2015	10 May 2015	9 May 2023	2,176,743	–	(502,325)	1,674,418	0.1881*
10 May 2016	10 May 2016	9 May 2023	2,176,743	–	(502,325)	1,674,418	0.1881*
10 May 2017	10 May 2017	9 May 2023	2,902,325	–	(669,768)	2,232,557	0.1881*
2 January 2015	2 January 2015	1 January 2024	–	600,000	–	600,000	0.1290
2 January 2016	2 January 2016	1 January 2024	–	600,000	–	600,000	0.1290
2 January 2017	2 January 2017	1 January 2024	–	800,000	–	800,000	0.1290
			7,255,811	2,000,000	(1,674,418)	7,581,393	

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

During the reporting year, there were no shares of the Company or any subsidiary issued by virtue of the exercise of an option to take up unissued shares and 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 option.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. SHARE-BASED COMPENSATION (CONT'D)

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.

Employee share option scheme reserve

	Group and Company	
	2015	2014
	$'000	$'000
Balance at beginning of the year	373	196
Expense recognised in profit or loss	168	177
Balance at end of the year	541	373

Expected volatility was determined taking into consideration the Company's volatility over the period from listing to grant date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. 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 $
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	
2014						
1 November 2013	1,500,000	–	–	–	1,500,000	0.114
2 January 2014	–	2,000,000	(200,000)	(1,400,000)	400,000	0.129
1 July 2014	–	3,000,000	–	(1,000,000)	2,000,000	0.280
8 July 2014	–	750,000	–	–	750,000	0.285
13 August 2014	–	6,000,000	–	–	6,000,000	0.265
1 October 2014	–	8,000,000	–	(1,300,000)	6,700,000	0.260
	1,500,000	19,750,000	(200,000)	(3,700,000)	17,350,000	

Performance share plan reserve

	Group and Company	
	2015	2014
	$'000	$'000
Balance at beginning of the year	863	24
Expense recognised in profit or loss	3,440	863
Issuance of PSP (Note 27)	(1,075)	(24)
Balance at end of the year	3,228	863

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. 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	
	2015	2014
	$'000	$'000
Sales to related parties – non-controlling shareholder	8,162	17,840
Sales to related parties – key management personnel	111	357
Sales to associates	4,450	4,923
Purchases from related parties – non-controlling shareholder	7,443	2,983
Acquisition of a subsidiary from related party – non-controlling shareholder	–	1,300
Disposal of a subsidiary to related party – key management personnel	248	–

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

Key management compensation

	Group	
	2015	2014
	$'000	$'000
Salaries and other short-term employee benefits	3,618	2,270
Share-based payments	1,408	247
	5,026	2,517

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

	Group	
	2015	2014
	$'000	$'000
Key management compensation comprises the following:		
Fees to directors of the Company	176	280
Remuneration of directors of the Company	1,714	838
Remuneration of other key management personnel	3,136	1,399
	5,026	2,517

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 2015

30. 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
2015				
Directors	2,790,697	–	–	2,790,697
Other key management personnel	3,790,696	–	–	3,790,696
	6,581,393	–	–	6,581,393
2014				
Directors	4,465,115	–	(1,674,418)	2,790,697
Other key management personnel	2,790,696	1,000,000	–	3,790,696
	7,255,811	1,000,000	(1,674,418)	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
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
2014				
Directors	–	750,000	–	750,000
Other key management personnel	–	10,000,000	(3,300,000)	6,700,000
	–	10,750,000	(3,300,000)	7,450,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31. 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	
	2015	2014
	$'000	$'000
Not later than one year	3,059	2,156
Later than one year and not later than five years	1,801	3,534
	4,860	5,690

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 (2014: 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	
	2015	2014
	$'000	$'000
Not later than one year	1,983	240
Later than one year and not later than five years	2,343	123
	4,326	363

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 (2014: one to three 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	
	2015	2014
	$'000	$'000
Commitment to satisfy consideration for exercising of call option	7,000	–
Commitment to take up shares subscription in Epicsoft Asia	–	2,643
Capital commitments in respect of plant and equipment	550	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32. 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 7% (2014: 26%) 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 19.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32. 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 2015	Less than 1 year $'000	2 to 5 years $'000	More than 5 years $'000	Total $'000
Finance lease receivables	1,348	1,517	–	2,865
Trade and other receivables	80,856	–	–	80,856
Cash and cash equivalents	21,702	–	–	21,702
	103,906	1,517	–	105,423
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)	14,006	(18,594)	(951)	(5,539)
2014				
Finance lease receivables	1,726	385	–	2,111
Trade and other receivables	79,421	–	–	79,421
Cash and cash equivalents	10,361	–	–	10,361
	91,508	385	–	91,893
Gross borrowings commitments	(9,172)	(6,513)	(1,210)	(16,895)
Trade and other payables	(57,385)	(3,818)	–	(61,203)
	(66,557)	(10,331)	(1,210)	(78,098)
Total net undiscounted financial assets/(liabilities)	24,951	(9,946)	(1,210)	13,795

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32. FINANCIAL INSTRUMENT: INFORMATION ON FINANCIAL RISKS (CONT'D)

Company 2015	Less than 1 year $'000	2 to 5 years $'000	Total $'000
Trade and other receivables	36,605	–	36,605
Cash and cash equivalents	471	–	471
	37,076	–	37,076
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)	25,052	(8,258)	16,794
2014			
Trade and other receivables	7,842	–	7,842
Cash and cash equivalents	1,132	–	1,132
	8,974	–	8,974
Gross borrowings commitments	(23)	–	(23)
Trade and other payables	(3,778)	–	(3,778)
	(3,801)	–	(3,801)
Total net undiscounted financial assets/(liabilities)	5,173	–	5,173

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32. FINANCIAL INSTRUMENT: INFORMATION ON FINANCIAL RISKS (CONT'D)

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	
	2015	2014
	$'000	$'000
Corporate guarantee to banks in favour of loans taken up by subsidiaries and are repayable		
Within one year	30,415	20,361
Between two to five years	6,457	6,755
	36,872	27,116

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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Financial assets				
Fixed rate	2,690	1,934	–	–
Financial liabilities				
Fixed rate	31,917	17,452	1,500	21
Floating rate	25,438	17,017	11,173	–
	57,355	34,469	12,673	21

Sensitivity analysis for interest rate risk

At the end of reporting year, if the interest rates have been 100 (2014: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $254,000 (2014: $170,000) 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 significantly volatility as in prior years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32. FINANCIAL INSTRUMENT: INFORMATION ON FINANCIAL RISKS (CONT'D)

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, 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:

Group	United States Dollar ("USD")	
	2015	2014
	$'000	$'000
Financial assets		
Cash and bank balances	5,723	2,697
Trade and other receivables	18,433	7,158
Total	24,156	9,855
Financial liabilities		
Trade and other payables	(4,755)	(3,340)
Loans and borrowings	–	(4,147)
Total	(4,755)	(7,487)
Net financial assets	19,401	2,368

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	
		2015	2014
		$'000	$'000
SGD/USD	– strengthened 10% (2014: 10%)	(1,940)	(237)
	– weakened 10% (2014: 10%)	1,940	237

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. CAPITAL MANAGEMENT

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

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

	Group	
	2015	2014
	$'000	$'000
Total loans and borrowings (Note 25)	57,355	34,281
Less: Cash and bank balances (Note 22)	(22,724)	(11,702)
Net debt	34,631	22,579
Total equity	103,537	59,484
Debt-to-capital ratio	33%	38%

34. 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 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 services ("IT Infra")

This segment provides business relating to the supply, management and maintenance of IT equipment and resources, as well as the provision of maintenance and business recovery to enterprise customers, including Systems Integration and IT Reseller Operations, Hosting and Managed Services, Business Continuity and Disaster Recovery Services, IT Distribution and Lifecycle services and Telco and Network Infrastructure Services - provisioning and implementation of communication networks, including the laying of communication cables and the installation of base stations and other Telco and network related equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

34. SEGMENT INFORMATION (CONT'D)

Information about reportable segment profit or loss, assets and liabilities (cont'd)

(b) Vertical Domain Clouds ("VDCs")

This segment provides domain-focused plaforms and communities with network effects that redefine business and consumer lifestyles, such as e-commerce 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 2015

34. 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:

2015	IT Infra $'000	VDCs $'000	Corporate $'000	Total $'000
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

2014	IT Infra $'000	VDCs $'000	Corporate $'000	Total $'000
Revenue by segment				
Total revenue by segment	134,550	24,416	–	158,966
Inter-segment sales	(1,957)	–	–	(1,957)
Revenue from third parties	132,593	24,416	–	157,009
EBITDA	12,763	2,473	(4,194)	11,042
Amortisation of intangible assets	(383)	(662)	–	(1,045)
Depreciation of property, plant and equipment	(3,545)	(468)	(483)	(4,496)
Finance costs	(889)	(139)	(33)	(1,061)
Gain on bargain purchase	3,137	–	–	3,137
Impairment of goodwill	(3,932)	–	–	(3,932)
Profit before tax	7,151	1,204	(4,710)	3,645
Income tax expense				(505)
Profit, net of tax				3,140
Profit attributable to non-controlling interests				(1,432)
Profit attributable to owners of the Company				1,708

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

34. SEGMENT INFORMATION (CONT'D)

Assets and reconciliations

2015	IT Infra $'000	VDCs $'000	Corporate $'000	Unallocated $'000	Total $'000
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
2014					
Total assets for reportable segment	136,907	17,913	2,816	–	157,636
Deferred tax assets	–	–	–	2,264	2,264
Total assets	136,907	17,913	2,816	2,264	159,900

Liabilities and reconciliations

2015	IT Infra $'000	VDCs $'000	Corporate $'000	Unallocated $'000	Total $'000
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
2014					
Total liabilities for reportable segment	90,233	7,405	1,004	–	98,642
Deferred and current tax liabilities	–	–	–	1,774	1,774
Total liabilities	90,233	7,405	1,004	1,774	100,416

Other material items and reconciliations

	IT Infra $'000	VDCs $'000	Corporate $'000	Total $'000
Impairment of assets				
2015	–	31	–	31
2014	4,590	–	3	4,593
Expenditures for non-current assets				
2015	9,091	182	171	9,444
2014	6,029	415	10	6,454

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

34. 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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Singapore	159,010	86,041	62,810	24,689
Americas	59,744	38,240	1,098	308
Europe	41,666	23,209	11,611	12,386
Others	19,046	9,519	9,755	7,681
	279,466	157,009	85,274	45,064

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 12% (2014: 15% and 19%) of revenue recorded by the IT and VDCs segment respectively.

35. EVENTS AFTER THE END OF THE REPORTING YEAR

(a) On 8 January 2016, the Company entered into a subscription agreement with Procurri Corp and ICH Gemini Asia Growth Fund Pte Ltd ("Subscriber"), pursuant to which the Company shall issue, and the Subscriber has agreed to subscribe for, an aggregate of S$6,000,000 in principal amount of non-interest bearing redeemable exchangeable bonds due 2016 (the "Bonds") at a subscription price of 100.0% of the principal amount of the Bonds. The Bonds shall, in the event of a Qualified IPO or a Qualified Trade Sale of Procurri, be automatically exchanged into existing ordinary shares of Procurri Corp owned by the Company. The Bonds were issued on 12 January 2016.

(b) On 11 January 2016, the Group had completed the acquisition of certain business of an internet service provider business pursuant to an asset sale agreement entered with the vendor of the sale for a consideration of $3,299,000 satisfied by cash paid to the vendor. The carrying value of the acquired assets is approximately $1,550,000 and a purchase price allocation exercise is currently being undertaken to assess the fair value of assets and liabilities identified on this acquisition.

(c) On 21 January 2016, the Group acquired 75% of TJ Systems (S) Pte. Ltd.'s issued and paid-up share capital for a purchase consideration of $3,000,001. The consideration was satisfied by the allotment and issuance of 15,000,000 ordinary shares of the Company at an issue price of $0.20 per share, and in cash of $1. The carrying value of the acquired assets is approximately $675,000 and a purchase price allocation exercise is currently being undertaken to assess the fair value of assets and liabilities identified on this acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. EVENTS AFTER THE END OF THE REPORTING YEAR (CONT'D)

(d) On 15 February 2016, 8,370,000 new ordinary shares in the capital of the Company was issued pursuant to the vesting of share awards granted under the Declout Performance Share Plan.

(e) On 26 February 2016, the Company allotted and issued 34,113,060 new ordinary shares pursuant to the consideration for the exercise of call option by the Group to acquire the remaining 49% of issued share capital in Procurri Asia Pacific.

(f) On 2 March 2016, Procurri Asia Pacific Pte Ltd, an indirect wholly-owned subsidiary of the Company incorporated a wholly-owned subsidiary, Procurri (Beijing) Co., in the People's Republic of China with a registered share capital of US$2,000,000. The principal activities are those repair and maintenance of computer hardware and peripherals, data processing equipment; computer network and system integration design, installation, commissioning, maintenance, and provide technical advice and services; data processing; enterprise management consulting; wholesale, import and export of computer hardware and peripheral equipment.

36. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 28 March 2016.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2016

SHARE CAPITAL INFORMATION

Number of shares	618,850,590	
Issued and fully paid up capital	S$86,953,000	
Class of shares	Ordinary shares	
Voting rights	On a poll	: One vote for each ordinary share
Number of treasury shares	Nil	

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of shareholders	%	NO. OF SHARES	%
1 - 99	17	2.98	218	0.00
100 - 1,000	25	4.39	18,896	0.00
1,001 - 10,000	116	20.35	826,350	0.13
10,001 - 1,000,000	352	61.75	47,768,265	7.72
1,000,001 AND ABOVE	60	10.53	570,236,861	92.15
TOTAL	**570**	**100.00**	**618,850,590**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of shares held	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	99,832,600	16.13
2	UOB KAY HIAN PTE LTD	57,060,000	9.22
3	RAFFLES NOMINEES (PTE) LTD	45,689,670	7.38
4	UNITED OVERSEAS BANK NOMINEES PTE LTD	24,535,200	3.96
5	ALLIED KNIGHTS PTE LTD	24,000,000	3.88
6	OCBC SECURITIES PRIVATE LIMITED	23,508,400	3.80
7	DBS NOMINEES PTE LTD	22,864,400	3.69
8	JUPITER -SOFT PTE LTD	20,000,000	3.23
9	KGI FRASER SECURITIES PTE LTD	20,000,000	3.23
10	KOW YA	16,800,000	2.71
11	NOMURA SINGAPORE LIMITED	15,977,000	2.58
12	MAYBANK KIM ENG SECURITIES PTE LTD	13,835,300	2.24
13	KOH SU SAN	11,522,564	1.86
14	OAN CHIM SENG	11,215,500	1.81
15	WOO KOK SIN	11,150,000	1.80
16	LIM HUI HOON IRENE (LIN HUIYUN IRENE)	10,338,346	1.67
17	ANG EE TIONG KENNETH	10,000,000	1.62
18	LEOW CHIN BEE	9,500,000	1.54
19	LOW HENG SIONG	8,675,000	1.40
20	CHUA CHYE LEE	7,460,000	1.21
	TOTAL	**463,963,980**	**74.96**

STATISTICS OF SHAREHOLDINGS

As at 18 March 2016

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct interest		Deemed interest	
Name of substantial shareholders	Number of shares	%	Number of shares	%
3RD SPACE PTE LTD[1]	55,019,570	8.89	-	-
WONG KOK KHUN[1]	18,877,500	3.05	55,019,570	8.89
WONG POH LENG[2]	81,060,000	13.10	-	-

Notes:

(1) Wong Kok Khun holds 100% of the issued and paid-up share capital of 3rd Space Pte Ltd and therefore deemed to have an interest in the shares held by 3rd Space Pte Ltd by virtue of Section 7 of the Companies Act (Chapter 50) of Singapore.

(2) Wong Poh Leng's shares are held in the names of Citibank Nominees Singapore Pte Ltd and UOB Kay Hian Pte Ltd.

PUBLIC FLOAT

Based on the information available to the Company as at 18 March 2016, approximately 61.40% of the issued ordinary shares of the Company 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)
(Incorporated in the Republic of Singapore)

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, 28 April 2016 at 2.00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2015 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**"):

   Mr Wong Kok Khun (Article 106) **(Resolution 2a)**
   Ms Ch'ng Li-Ling (Article 106) **(Resolution 2b)**

   Ms Ch'ng Li-Ling will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee, member of the Remuneration and Audit 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 Directors' fees of S$55,000 for the financial year ended 31 December 2015 and Directors' fees of up to S$333,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears. (2015: S$176,000)

   [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 of Singapore (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,

   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 options 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)**

NOTICE OF ANNUAL GENERAL MEETING

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 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).

(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 conclusion of the next AGM or the date by which the next AGM is required by law or the Company's Constitution to be held;

(ii) the date on which the authority contained in the proposed renewal of 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 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

NOTICE OF ANNUAL GENERAL MEETING

"**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-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.

(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

Lee Bee Fong (Ms)
Company Secretary

11 April 2016

Singapore

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

(a) The key information of Mr Wong Kok Khun and Ms Ch'ng Li-Ling can be found in the annual report. Mr Wong Kok Khun and Ms Ch'ng Li-Ling, if re-appointed as Directors of the Company (pursuant to ordinary resolutions 2a and 2b, 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 Mr Wong Kok Khun, Ms Ch'ng Li-Ling 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 Directors' fees to meet the shortfall in the amount payable for the financial year ended 31 December 2015. The amount approved at the AGM last year was insufficient due to additional fees payable to a Director during the financial year for him to attend additional meetings and overseeing the completion of the Company's year-end closing.

The same resolution is also to request Shareholders' approval for payment of Directors' fees on a current year basis, calculated taking into account the number of scheduled Board and committee meetings for the financial year ending 31 December 2016 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 2016 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. The increase in the Directors' fees payable for the financial year ending 31 December 2016 is to compensate the Directors of additional workloads and responsibilities and reflect the increasingly onerous corporate governance obligations and Directors' fiduciary responsibilities.

(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 next AGM, or the date by which the next AGM is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to purchase up to 10% of the total number of issued Shares in the share capital of the Company. Please refer to the Appendix 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 need 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 of class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

NOTICE OF ANNUAL GENERAL MEETING

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. 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.

8. 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

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)

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

NOMINATION COMMITTEE
Ch'ng Li-Ling (Chairman)
Ho Chew Thim
Hew Koon Chan

COMPANY SECRETARY
Lee Bee Fong, ACIS

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
Canaccord Genuity Singapore Pte. Ltd.
77 Robinson Road
#21-02
Singapore 068896

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

Partner-in-charge: Gajendran Vyapuri
(with effect from financial year ended 31 December 2015)

PRINCIPAL BANKERS
United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 048624

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

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay #01-00
HSBC Building
Singapore 049320

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 11 April 2016.

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, 28 April 2016 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/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 2015 and the Directors' Statement and the Auditors' Report thereon		
2a.	Re-election of Mr Wong Kok Khun as a Director of the Company		
2b.	Re-election of Ms Ch'ng Li-Ling as a Director of the Company		
3.	Payment of additional Directors' fees of S$55,000 for the financial year ended 31 December 2015 and Directors' fees of up to S$333,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears.		
4.	Re-appointment of Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration		
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 _____2016

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:

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4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with the Company's Constitution and Section 179 of the Companies Act.

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

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AFFIX
STAMP

The Share Registrar
DECLOUT LIMITED
80 Robinson Road, #11-02,
Singapore 068898

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DeClout Limited
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