

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

PROPOSED ACQUISITION OF 51% INTEREST IN PROCURRI ASIA PACIFIC PTE. LTD.

1. INTRODUCTION

The board of directors (the “**Directors**” or the “**Board**”) of DeClout Limited (“**DeClout**” or the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company, Procurri Corporation Pte. Ltd. (“**PCPL**”) (a subsidiary of the Company), Allied Knights Pte. Ltd. (“**AKPL**”) and Procurri Asia Pacific Pte. Ltd. (“**PAPPL**”) had, on 21 January 2015, entered into a sale, purchase and joint venture agreement (the “**Agreement**”). As at the date of this announcement, PAPPL is a wholly-owned subsidiary of AKPL, and has an issued share capital of S\$200,000 comprising 200,000 ordinary shares.

Pursuant to the Agreement, PCPL shall acquire from AKPL, 102,000 shares representing 51% of the issued share capital of PAPPL (the “**Proposed Acquisition**”) for a consideration of S\$2.7 million (the “**Consideration**”) which shall be satisfied in full by the issuance and allotment and/or transfer of 12,000,000 DC Shares (as defined herein). The Proposed Acquisition is expected to be completed on or about 30 January 2015 (the “**Completion Date**”), and following which, PCPL and AKPL will hold 51% and 49% shareholding interest in PAPPL respectively.

Following the Proposed Acquisition, and subject to the terms and conditions of the Agreement, DeClout, PCPL and AKPL shall jointly conduct the business and affairs of PAPPL, and carry on its Business (as defined herein).

2. INFORMATION ON AKPL AND PAPPL

AKPL is a Singapore-incorporated company with an issued share capital of S\$10,000 comprising 10,000 ordinary shares, and whose principal activities comprise general wholesale trade and investment holding. The shareholder of AKPL is not related to any of the Directors, controlling shareholders of the Company or their respective associates.

PAPPL was incorporated in Singapore by AKPL on 19 January 2015 pursuant to a pre-incorporation agreement dated 12 January 2015 (“**Pre-Incorporation Agreement**”) entered into between DeClout, PCPL and AKPL. Pursuant to the Pre-Incorporation Agreement, DeClout and PCPL granted AKPL an exclusive and non-assignable licence to use, *inter alia*, the unregistered trade mark and brand name “Procurri”, and all the goodwill attaching thereto, in relation to the incorporation of PAPPL in Singapore, and thereafter, for PAPPL to use the same in relation to its operations in Singapore and the People’s Republic of China (“**PRC**”).

The principal activities of PAPPL comprise wholesale of computer hardware and peripheral equipment, and the repair and maintenance of computer hardware and peripherals and data processing equipment (the “**Business**”). PAPPL was incorporated in Singapore as a vehicle to expand into the Asia Pacific region. PAPPL has zero book value and net tangible asset at 21 January 2015. No independent valuation was conducted on PAPPL.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Consideration

The Consideration shall be satisfied in full by the issuance and allotment of 12,000,000 new shares and/or transfer of such number of treasury shares in the capital of DeClout (the “**DC**”).

Shares") at an issue price of S\$0.225 per DC Share. The issue price represents a premium of 1.2% to the volume weighted average price of S\$0.2224 per share in the capital of DeClout (the **"Shares"**) based on such Shares traded on the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) for the full market day on 21 January 2015 (being the last full market day prior to the date of signing of the Agreement).

The Consideration was arrived at on a willing-seller and willing-buyer basis, after negotiations which were conducted at arm's length between the parties, and takes into account, *inter alia*, prevailing market conditions and the potential synergies between the Group, PCPL and PAPPL.

The DC Shares shall rank in all respects *pari passu* with the ordinary shares of DeClout existing at the date of the issue of the DC Shares, save that they shall not rank for any entitlements, distributions, dividends or rights (if any), the record date in respect of which falls on or prior to the date of issue of the DC Shares. The DC Shares are to be issued pursuant to the existing share issue mandate approved by the shareholders of DeClout at its annual general meeting held on 29 April 2014.

3.2 Payment of the Consideration

The issuance and allotment of the DC Shares and/or transfer of such number of treasury shares in the capital of DeClout shall be completed within three (3) months from the Completion Date.

The Company will be making an application to the Sponsor (as defined herein) and the SGX-ST for the listing and quotation of the DC Shares on Catalist. The Company will make the relevant announcement upon receipt of the listing and quotation notice from the SGX-ST.

3.3 Material Terms of the Agreement

3.3.1 Assignment of Dividends by AKPL to PCPL

Under the Agreement, as a separate and independent obligation, AKPL has covenanted and irrevocably undertaken to assign its entitlement to receive dividends as and when the same is declared by PAPPL, to PCPL, and PAPPL has undertaken to pay such dividends to PCPL. This undertaking will continue for a period of two (2) years from the date of the Agreement, without limit in amount and quantum, and shall only cease and determine thereafter, and AKPL and PCPL shall then be entitled to receive dividends in accordance with their respective shareholdings in the Company.

3.3.2 PCPL Call Option

AKPL has irrevocably granted to PCPL an option (the **"PCPL Call Option"**) to acquire all of AKPL's PAPPL shares (i) during the period from 1 January 2016 to 31 December 2016 (or such other date as may be agreed between the parties); or (ii) at anytime PCPL and/or PAPPL has entered into a definitive agreement to undergo a listing or trade sale (the **"PCPL Call Option Period"**).

In consideration for the transfer of the relevant shares to PCPL, PCPL shall issue such number of ordinary shares to provide AKPL with a total percentage shareholding in the capital of PCPL based on the formula set out below:

$$Z\% = \frac{Y\% \times Ev(PAPPL) + Ev(DeClout Shanghai)}{Ev(PAPPL) + Ev(PCPL Group) + Ev(DeClout Shanghai)}$$

Where:

(1) Z% = percentage shareholding in the capital of PCPL to be issued to AKPL in total.

- (2) Y% = total percentage shareholding in the capital of PAPPL held by AKPL immediately prior to the exercise of the PCPL Call Option.
- (3) Ev = net asset value as at 31 December 2015, plus six (6) times of (net profit after tax adding back Amortisation Expenses (as defined herein)) for the period of 12 months ending on 31 December 2015.
- (4) DeClout Shanghai = DeClout (Shanghai) Co., Ltd, a wholly-owned subsidiary of the Company. Included in the formula to account for PAPPL's contribution to DeClout Shanghai during the interim period of incorporating PAPPL's PRC subsidiary.
- (5) For the purposes of determining "Ev" and in the event that PCPL and/or its subsidiaries and associated companies, including but not limited to PAPPL ("**PCPL Group**"), acquires new subsidiaries during the year, the net profit after tax adding back Amortisation Expenses (as defined herein) shall be determined as though the acquisition(s) were made at the beginning of the period of 12 months ending on 31 December 2015, to the extent only that the financial results of the new subsidiaries are audited by the auditors of the PCPL Group for the period of inclusion.
- (6) "**Amortisation Expenses**" refers to the amortisation expenses arising from the intangible assets arising from (i) the acquisition of PAPPL by PCPL; or (ii) the intangible assets that may arise from any acquisition of businesses or companies within the PCPL Group.

3.3.3 AKPL Put Option

PCPL has irrevocably granted to AKPL an option (the "**AKPL Put Option**") to sell all its PAPPL shares to PCPL during the period from 1 January 2017 to 30 June 2017 (or such other date as may be agreed) if (i) PCPL has not exercised the PCPL Call Option during the PCPL Call Option Period; and (ii) PCPL and/or PAPPL has not entered into a definitive agreement to undergo a listing or trade sale.

In consideration for the transfer of the relevant shares to PCPL, PCPL shall issue such number of ordinary shares to provide AKPL with a total percentage shareholding in the capital of PCPL based on the formula set out below:

$$Z\% = \frac{Y\% \times Ev(PAPPL) + Ev(DeClout Shanghai)}{Ev(PAPPL) + Ev(PCPL Group) + Ev(DeClout Shanghai)}$$

Where:

- (1) Z% = percentage shareholding in the capital of PCPL to be issued to AKPL in total.
- (2) Y% = total percentage shareholding in the capital of PAPPL held by AKPL immediately prior to the exercise of the AKPL Put Option.
- (3) Ev = net asset value as at 31 December 2016, plus six (6) times of (net profit after tax adding back Amortisation Expenses for the period of 12 months ending on 31 December 2016).
- (4) DeClout Shanghai = DeClout (Shanghai) Co., Ltd, a wholly-owned subsidiary of the Company. Included in the formula to account for PAPPL's contribution to DeClout Shanghai during the interim period of incorporating PAPPL's PRC subsidiary.
- (5) For the purposes of determining "Ev" and in the event that PCPL Group acquires new subsidiaries during the year, the net profit after tax adding back Amortisation Expenses shall be determined as though the acquisition(s) were made at the beginning of the period of 12 months ending on 31 December 2016, to the extent only that the financial

results of the new subsidiaries are audited by the auditors of the PCPL Group for the period of inclusion.

3.3.4 PAPPL Board of Directors

Following the Proposed Acquisition, the board of directors of PAPPL ("**PAPPL Board**") shall manage and administer the Business and affairs of PAPPL. Unless otherwise unanimously agreed by the parties, the PAPPL Board shall comprise four (4) directors of whom three (3) directors shall be appointed by PCPL (the "**PCPL Directors**") and one (1) director shall be appointed by AKPL. The chairman of the PAPPL Board shall be a PCPL Director and he shall have a casting vote in the event of a deadlock within the PAPPL Board.

4. THE RATIONALE FOR THE PROPOSED ACQUISITION

The Board believes that the Proposed Acquisition will:

- (i) provide the Group with in-roads into Asia Pacific markets, especially the PRC, where PCPL does not currently operate, and will provide the Group with a vehicle and the necessary support for such regional expansion;
- (ii) strengthen the future financial performance of the Group's information-technology maintenance services and asset recovery solutions business segment; and
- (iii) enable the Group and PCPL to accelerate its penetration into the Asia Pacific markets.

5. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

The pro forma financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed Acquisition.

Such pro forma financial effects have been computed based on:

- (1) the audited consolidated accounts of the Group for the financial year ended 31 December 2013 ("**FY2013**") adjusted for such subsequent corporate actions announced and undertaken by the Group, namely (i) the restructuring of the Group pursuant to which the entire share capital of ASVIDA Asia Pte. Ltd. ("**ASVIDA**") was transferred from the Company to PCPL; (ii) the investment of 51% interest in Tinglobal Holdings Limited by ASVIDA UK Limited; (iii) the issuance of 2,000,000 Series A preferred shares of Corous360 Pte Ltd; (iv) the issuance of 3,940 ordinary shares in the capital of PCPL; (v) the acquisition of Verity Solutions Sdn Bhd by PCPL; (vi) the acquisition of Asia Wiring Systems Pte. Ltd. by Beaqon Pte Ltd ("**Beaqon**"); (vii) the acquisition of Pacific Wave Pte. Ltd. by Beaqon; (viii) the acquisition of Netipay Pte. Ltd. by Corous360 Pte Ltd; (ix) the acquisition of Playworks Pte. Ltd. by Corous360 Pte Ltd; and (x) the proposed acquisition of OSINet International Pte. Ltd. by Acclivis Technologies and Solutions Pte Ltd and the issuance and allotment of 63,000,000 new Shares pursuant thereto (collectively, "**Corporate Actions**");
- (2) the issuance of 200,000 Shares in accordance with the DeClout Performance Share Plan;
- (3) the payment by AKPL of the unpaid share capital of S\$200,000 in PAPPL;
- (4) the issuance and allotment of the 12,000,000 DC Shares; and
- (5) the estimated expenses incurred in relation to the Proposed Acquisition of approximately S\$35,000.

For the avoidance of doubt, such pro forma financial effects do not take into account the issuance of shares by Procurri Corp as announced by the Company on 31 December 2014.

5.1 Net tangible assets (“NTA”)

Assuming that the Proposed Acquisition had been completed on 31 December 2013, the effect of the Proposed Acquisition on the Group’s NTA per Share as at 31 December 2013 (after adjusting for the Corporate Actions) will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA of the Group attributable to shareholders of the Company (\$'000)	27,909	27,976
Number of Shares ('000)	397,841	409,841
NTA per Share (Cents)	7.02	6.83

5.2 Earnings per Share (“EPS”)

Assuming that the Proposed Acquisition had been completed on 1 January 2013, the effect of the Proposed Acquisition on the Group’s EPS for FY2013 (after adjusting for the Corporate Actions) will be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to shareholders of the Company for FY2013 (\$'000)	2,247	2,212
Weighted average number of Shares ('000)	327,796	339,796
EPS (Cents)	0.69	0.65

5.3 Gearing

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

6. RELATIVE FIGURES UNDER RULE 1006

Based on the Group’s latest announced unaudited consolidated accounts for the six (6) months ended 30 June 2014 and the management accounts of PAPPL since its incorporation, the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the SGX-ST Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”) are as follows:

Rule 1006	Bases	Relative Figures
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable
(b)	Net profit attributable to the assets acquired, compared with the Group’s net loss ⁽¹⁾	Not meaningful

(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽²⁾	3.6%
(d)	Number of equity securities issued as consideration for an acquisition, compared with the number of securities previously in issue ⁽³⁾	3.6%
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not applicable

Notes:

- (1) The Group's loss before tax for the six (6) months ended 30 June 2014 was approximately S\$2.0 million. PAPPL's profit since incorporation is zero.
- (2) The Company's market capitalisation of approximately S\$74.5 million was computed based on the Company's existing issued share capital of 334,841,108 Shares and the volume weighted average price of S\$0.2224 per Share on 21 January 2015, being the market day preceding the date of the Agreement.
- (3) Based on 12,000,000 DC Shares at the issue price of S\$0.225 per DC Share to be issued, and the Company's existing issued share capital of 334,841,108 Shares as at the date of this announcement.

Having regard to the above, the Proposed Acquisition is a "non-discloseable transaction" under Rule 1008 read together with Rule 1006 of the Catalist Rules.

7. DIRECTORS' SERVICE CONTRACTS

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

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective shareholdings in the Company.

9. INSPECTION OF DOCUMENT

A copy of the Pre-Incorporation Agreement and the Agreement is available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at DeClout's registered office at 29 Tai Seng Avenue, #05-01 Natural Cool Lifestyle Hub, Singapore 534119 for a period of three (3) months from the date of this announcement.

10. FURTHER ANNOUNCEMENTS

DeClout will update shareholders on material developments relating to the Proposed Acquisition, if any.

11. RESPONSIBILITY STATEMENT

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

BY ORDER OF THE BOARD
DECLOUT LIMITED

Wong Kok Khun
Chairman and Group Chief Executive Officer
21 January 2015

*This announcement 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 SGX-ST.*

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

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