

**PROPOSED ACQUISITION OF OSINET COMMUNICATIONS PTE. LTD.**

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**1. INTRODUCTION**

The board of directors (the “**Directors**” or the “**Board**”) of DeClout Limited (the “**Company**” or “**DeClout**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a sale and purchase agreement dated 12 January 2015 (the “**Agreement**”) with its wholly-owned subsidiary, Acclivis Technologies and Solutions Pte. Ltd. (the “**Purchaser**”), and OSINet International Pte. Ltd. (the “**Vendor**”).

Pursuant to the Agreement, the Purchaser has agreed to purchase (the “**Proposed Acquisition**”) from the Vendor the entire issued and paid-up share capital (“**Sale Shares**”) of OSINet Communications Pte. Ltd. (the “**Target**”), for a consideration (“**Consideration**”) of approximately S\$14.2 million which shall be satisfied in full by the issuance and allotment of 63,000,000 issued and fully paid-up ordinary shares in the capital of the Company (the “**Consideration Shares**”) which has been determined based on the formula as follows: the lower of (a) 63,000,000 shares in the capital of DeClout (“**Shares**”); and (b) such number of Shares equivalent to the following:

S\$14.2 million

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90% of the weighted average price of the Shares for trades done on the SGX-ST (as defined herein) for the full market day on which the Agreement is signed. If trading in the Shares is not available for a full market day, the weighted average price shall be based on the trades done on the preceding market day up to the time the Agreement is signed

(the “**Formula**”).

The Consideration Shares shall be paid in the manner set out in Paragraph 3.2 below.

**2. INFORMATION ON THE TARGET**

The Target is a Singapore-incorporated company with an issued and paid-up share capital of S\$0.5 million comprising 500,000 ordinary shares. The Target is a wholly-owned subsidiary of the Vendor, which in turn is a wholly-owned subsidiary of OSINet Holdings Private Limited (“**OSINet Holdings**”). The shareholders of OSINet Holdings are not related to the Directors, controlling shareholders of the Company and their respective associates.

The Target’s principal activities are those of internet access providers, namely the provision of internet access and data, sales and marketing of telecommunication services and data technologies development. The Target owns the required Internet Service Provider (“**ISP**”) licence to operate its business in Singapore.

Based on the audited accounts of the Target as at 31 March 2014, the net tangible asset value was approximately S\$0.5 million and the net profit after tax for the financial year ended 31 March 2014 (“**FY2014**”) was approximately S\$0.8 million. No independent valuation was conducted on the Target.

### 3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

#### 3.1 Consideration

The Consideration was arrived at on a willing-buyer and willing-seller basis, after negotiations which were conducted at arm's length between the parties, and takes into account, *inter alia*, the net profit after tax of the Target based on its audited accounts for FY2014, the profit before tax of the Target based on its unaudited management accounts for the period ended 31 August 2014 as well as its current order book.

For the avoidance of doubt, the Consideration Shares shall rank in all respects *pari passu* with the ordinary shares in the share capital of the Company existing at the date of the issue of the Consideration 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 Consideration Shares. The Consideration Shares are to be issued pursuant to the existing share issue mandate approved by shareholders of the Company at its annual general meeting of the Company held on 29 April 2014.

#### 3.2 Payment of the Consideration

The Consideration shall be paid on the third business day following the date of the fulfilment of all conditions precedent set out in Paragraph 3.3 below (the "**Completion Date**"), including but not limited to the approval by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") of the additional listing application in respect of the Consideration Shares, such date falling no later than six (6) weeks from the date of the Agreement, having been obtained, and the Purchaser shall purchase 500,000 ordinary shares in the capital of the Target, comprising 100% of the entire issued and paid-up share capital of the Target which shall be satisfied by the issuance and allotment to the Vendor and its permitted nominees of 63,000,000 Consideration Shares equivalent to approximately S\$14.2 million determined based on the Formula ("**Completion**").

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

#### 3.3 Conditions Precedent

3.3.1 Completion of the Proposed Acquisition is conditional upon the conditions precedent having been fulfilled (or waived) by the long-stop date of 31 March 2015 (or such other date as the parties may agree), including, but not limited to, the following:

- (a) the Target having no less than S\$0.6 million in cash in its bank accounts at the Completion Date for working capital purposes, and the Vendor procuring that the Target furnishes the Company and the Purchaser satisfactory evidence thereof;
- (b) any outstanding loans and/or indebtedness owing by/to the directors and shareholders of the Target and their connected persons by/to the Target including the loans and/or indebtedness set out in Schedule 5 of the Agreement, having been fully repaid/collected;
- (c) the rectification of the irregularities set out in Schedule 4 of the Agreement;
- (d) as at the Completion Date:
  - (i) there having been no increase of 30% or more in the value of trade-related debts receivable or due to the Target that have been outstanding for more than 90 days from its respective due date for payment, as compared to the amounts reflected in the management accounts; and

- (ii) there having been no increase of 30% or more in the value of trade-related accounts payable or due from the Target that have been outstanding for more than 90 days from its respective due date for payment, as compared to the amounts reflected in the management accounts,

and the Vendor procuring that the Target furnishes the Company and the Purchaser satisfactory evidence thereof;

- (e) the trade receivables listed in Schedule 5 of the Agreement having been assigned or novated to the Target; and
- (f) each of Yeo Siew Chai, OSINet Global Services Pte. Ltd. and OSINet Voice Services Pte. Ltd. having entered into the respective deed of undertakings containing non-competition, non-solicitation and other relevant undertakings. Yeo Siew Chai owns 40% of OSINet Holdings while OSINet Global Services Pte. Ltd. and OSINet Voice Services Pte. Ltd. are wholly-owned subsidiaries of the Vendor.

As at the date of this announcement, none of the above conditions precedent has been fulfilled.

### 3.4 Retained Sum

3.4.1 Under the Agreement, within the period of 30 days from the Completion Date, the Vendor shall transfer (or procure such transfer of) a sum of S\$3.0 million (the “**Retained Sum**”) to the Purchaser as security for the achievement of the Net Asset Value Target (as defined below) and the performance by the Vendor of its obligations under the Agreement.

3.4.2 Under the Agreement, the Vendor has also undertaken and guaranteed to the Purchaser and the Company that the audited net asset value of the Target, which shall include any dividends declared post Completion, determined in accordance with the generally accepted accounting standards in Singapore as applicable to the Target and as reflected in the relevant audited financial statements of the Target for the relevant financial year (“**Net Asset Value**”) will be at least S\$6.0 million (the “**Net Asset Value Target**”) and shall be achieved by 31 December 2016.

3.4.3 The parties have agreed as follows:

- (a) if any claim is made by the Purchaser and/or the Company against the Vendor in relation to any breach or inaccuracy of the warranties and/or indemnities set out in the Agreement (“**Claim**”) pursuant to or in connection with the Agreement, whether pursuant to breach of any warranty, representation or undertaking as set out in the Agreement or otherwise, subject to the limitations on the Vendor’s liability set out in the Agreement and provided that the Purchaser and/or the Company has complied with its obligations in respect of such Claim, the amounts of such Claim may, at the sole and absolute discretion of the Purchaser and/or the Company, be made deducted from the Retained Sum held by the Purchaser (the aggregate of all such amounts, the “**Deducted Amounts**”) and the Vendor shall have no claims against the Purchaser and/or the Company whatsoever in respect of the Deducted Amounts. For the avoidance of doubt, the Deducted Amounts shall be subject to the S\$1.0 million limit on all Claims. Such deduction shall constitute good discharge of the Vendor’s obligations to indemnify the Purchase and/or the Company against such Claim in respect of the amounts deducted;

(b) in the event the Net Asset Value of the Target as at 31 December 2015 is equal to or exceeds the Net Asset Value Target of S\$6.0 million:

- (i) the Purchaser shall refund an amount equivalent to S\$2.0 million to the Vendor within 10 business days after the receipt by the Purchaser of the relevant audited financial statements of the Target for the financial year ending 31 December 2015 reflecting the Net Asset Value Target having been met; and
- (ii) the Purchaser shall refund an amount equivalent to S\$1.0 million less any

Deducted Amounts (if any) to the Vendor within 10 business days after the date falling two (2) years after the Completion Date;

- (c) in the event the Net Asset Value of the Target as at 31 December 2016 is equal to or exceeds the Net Asset Value Target of S\$6.0 million and Paragraph 3.4.3(b) does not apply, the Purchaser shall refund an amount equivalent to S\$3.0 million less any Deducted Amounts (if any) to the Vendor within 10 business days after the receipt by the Purchaser of the relevant audited financial statements of the Target for the financial year ending 31 December 2016 reflecting the Net Asset Value Target having been met; and
- (d) in the event the Net Asset Value of the Target as at 31 December 2015 and 31 December 2016 is less than the Net Asset Value Target of S\$6.0 million, the Vendor shall reimburse the Purchaser six (6) times the amount of the difference between (i) the Net Asset Value Target, and (ii) the Net Asset Value of the Target as at 31 December 2016 (“**Reimbursed Sums**”), provided that the Reimbursed Sums shall not exceed S\$4.0 million. The Purchaser may deduct the Reimbursed Sums from the Retained Sum held by the Purchaser, and the Vendor shall have no claims against the Purchaser and/or the Company whatsoever in respect of the Reimbursed Sums. Such deduction shall constitute good discharge of the Vendor’s obligations to reimburse the Purchaser and/or the Company the Reimbursed Sums in respect of the amounts deducted. In the event there is any excess amount after the Reimbursed Sums and Deducted Amounts have been deducted from the Retained Sum by the Purchaser, the Purchaser shall refund such excess to the Vendor within 10 business days after the receipt by the Purchaser of the relevant audited financial statements of the Target for the financial year ending 31 December 2016.

3.4.4 In the event the Retained Sum (less any Reimbursed Sums and Deducted Amounts) is insufficient to reimburse the Purchaser and/or the Company for any amounts payable by the Vendor in connection with the Agreement (subject to limitations on the Vendor’s liability in the Agreement), the Vendor is required to reimburse the Purchaser and/or the Company for any shortfall.

#### **4. RATIONALE FOR THE PROPOSED ACQUISITION**

The Board believes that the Proposed Acquisition is synergistic and complementary to the existing business offerings of the Purchaser. The following are the key rationale for the Proposed Acquisition:

- (a) the Target has an established customer base and proven track record of revenue and profit growth;
- (b) the Purchaser’s strength is on the provision of infrastructure based information technology system integration solution to the customers. By acquiring the Target which owns the ISP licence, the market knowledge and skilled employees for operating an ISP business, the Purchaser will be able to combine the capabilities of both infrastructure and internet network connectivity services to provide a full suite of end-to-end managed services to the customers; and
- (c) with an enlarged customer base, the Group will be able to cross sell the different IT and telecommunication products of other subsidiaries in the Group.

#### **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 (i) the restructuring of the Group pursuant to which the entire share capital of ASVIDA Asia Pte. Ltd. was transferred from the Company to Procurri Corporation Pte. Ltd. (“**Procurri Corp**”); (ii) the investment of 51% interest in Tinglobal Holdings 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 Procurri Corp; (v) the acquisition of Verity Solutions Sdn Bhd; (vi) the acquisition of Asia Wiring Systems Pte. Ltd.; (vii) the acquisition of Pacific Wave Pte. Ltd.; (viii) the acquisition of Netipay Pte. Ltd.; and (ix) the acquisition of Playworks Pte. Ltd. (collectively, “**Corporate Actions**”); (2) the audited accounts of the Target for the financial year ended 31 March 2014; (3) the issuance of 200,000 Shares in accordance with the DeClout Performance Share Plan; (4) the issuance and allotment of 63,000,000 Consideration Shares at the issue price of S\$0.2254 per Consideration Share; and (5) the expenses incurred in relation to the Proposed Acquisition of approximately S\$74,000. 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

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

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
NTA of the Group attributable to shareholders of the Company (S\$’000)	27,364	27,909
Number of Shares (‘000)	334,841	397,841
<b>NTA per Share (Cents)</b>	<b>8.17</b>	<b>7.02</b>

### 5.2 Earnings Per Share

Assuming that the Proposed Acquisition had been completed on 1 January 2013, the effect of the Proposed Acquisition on the earnings per Share (“**EPS**”) for FY2013 (after adjusting for the Corporate Actions) will be as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Net profit attributable to shareholders of the Company for FY2013 (S\$’000)	1,556	2,247
Weighted average number of Shares (‘000)	264,796	327,796
<b>EPS (Cents)</b>	<b>0.59</b>	<b>0.69</b>

### 5.3 Gearing

There is no 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 6 months ended 30 June 2014 and the unaudited management accounts of the Target for the 6 months

ended 30 June 2014, 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:

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative Figures</b>
(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 <sup>(1)</sup>	-31.0%
(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 <sup>(2)</sup>	18.8%
(d)	Number of equity securities issued as consideration for an acquisition, compared with the number of securities previously in issue <sup>(3)</sup>	18.8%
(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 6 months ended 30 June 2014 was approximately S\$2.0 million. The Target’s profit before tax for the 6 months ended 30 June 2014 was approximately S\$0.6 million.
- (2) The Company’s market capitalisation of approximately S\$75.6 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\$0.2259 per Share on 9 January 2015, being the market day preceding the date of the Agreement.
- (3) Based on 63,000,000 Consideration Shares at the issue price of S\$0.2254 per Consideration 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 “discloseable transaction” under Rule 1010 and read together with Rule 1006 of the Catalyst 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 SUBSTANTIAL SHAREHOLDERS**

Mr Hew Koon Chan, an Independent Director of the Company, will be paid a referral fee by the Vendor for the Proposed Acquisition. Accordingly, Mr Hew Koon Chan has abstained from any and all deliberation on the merits of the Proposed Acquisition, and has also abstained from voting on this matter.

Save for Mr Hew Koon Chan, none of the Directors or the substantial 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. DOCUMENT AVAILABLE FOR INSPECTION

The Agreement is available for inspection during normal business hours from 9.00 am to 5.00 pm at the registered office of the Company at 29 Tai Seng Avenue, #05-01 Natural Cool Lifestyle Hub, Singapore 534119 for a period of three (3) months from the date of this announcement.

## 10. ANNOUNCEMENTS

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

## 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  
12 January 2015

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*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.*