

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

- (1) **SUPPLEMENTAL AGREEMENT IN RESPECT OF THE JOINT VENTURE AGREEMENT DATED 18 SEPTEMBER 2014**
 - (2) **EXERCISE OF CALL OPTION OVER THE REMAINING SHARES IN EPICSOFT ASIA PTE LTD NOT OWNED BY COROUS360 PTE. LTD.**
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1. INTRODUCTION

The board of directors (the “**Directors**” or the “**Board**”) of DeClout Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 18 September 2014 (the “**Announcement**”) in relation to the joint venture agreement dated 18 September 2014 (the “**JVA**”) entered into between its wholly-owned subsidiary, Corous360 Pte. Ltd. (“**C360**”), and Mr. Choo See Wee (the “**JV Partner**”), pursuant to which C360 and the JV Partner incorporated a joint venture company in Singapore named Epicsoft Asia Pte Ltd (the “**JV Company**”) based on a shareholding proportion of 51% and 49% respectively.

Pursuant to the terms and conditions of the JVA, the JV Partner granted C360 a call option (the “**C360 Call Option**”) to acquire all of the 122,500 shares in the JV Company held by the JV Partner representing 49% of the issued and paid-up share capital of the JV Company (the “**Option Shares**”).

2. INFORMATION ON THE JV COMPANY

The JV Company is a private company limited by shares and is primarily engaged in a fully integrated online and mobile platform to distribute games software, games codes and related peripherals in various countries in the Asia Pacific region.

Based on the audited consolidated financial statements of the JV Company for the financial year ended 31 December 2014 (“**FY2014**”), the net tangible asset value was approximately US\$54,000 and the net profit after tax was approximately US\$54,000.

3. SUPPLEMENTAL AGREEMENT

The Board wishes to announce that the parties to the JVA (being C360 and the JV Partner, collectively, the “**Parties**”) have, on 25 September 2015, entered into a supplemental agreement to the JVA (the “**Supplemental Agreement**”) pursuant to which the Parties have agreed to amend certain terms of the JVA (the “**Amended Terms**”).

Pursuant to the Supplemental Agreement, the Parties have agreed, *inter alia*, that Clause 7A of the JVA, which provided for the consideration for the acquisition of the Option Shares by C360 from the JV Partner pursuant to the exercise of the C360 Call Option, would be amended to an aggregate consideration of S\$21,012,500 (the “**Consideration**”), which shall be satisfied in the following manner:

- a. allotment and issue of 250,000 new shares in the capital of C360 (the “**Consideration Shares**”) at an issue price of S\$11.25 per Consideration Share to the JV Partner on the Call Option Completion Date (as defined below);
- b. payment of S\$9.1 million (“**First Cash Sum**”) to the JV Partner no later than 90 days following the Call Option Completion Date (or such other dates as may be agreed between the Parties); and

- c. payment of S\$9.1 million (“**Second Cash Sum**”, and together with the First Cash Sum, the “**Aggregate Cash Sum**”) to the JV Partner no later than 30 June 2016 (or such other dates as may be agreed between the Parties).

The Consideration was determined based on arm’s length negotiations and arrived at on a willing buyer willing seller basis, after taking into account, *inter alia*, the performance and contributions of the JV Company to C360 to-date in terms of revenue (including management fees) and gross profit, as well as the future potentials and contributions of the business to C360.

No independent valuation was conducted on the Option Shares.

The payment of the Aggregate Cash Sum will be satisfied by internal resources of the Group and external borrowings. The Company shall also issue a corporate guarantee in favour of the JV Partner in relation to the payment of the Aggregate Cash Sum.

For the avoidance of doubt, C360 shall no longer be required to procure the Company to purchase a certain proportion of the shares in C360 held by the JV Partner for a consideration of not more than US\$10 million, as set out in the Announcement.

The Parties have agreed that the Supplemental Agreement shall be considered an integral part of the JVA, and that both the JVA and the Supplemental Agreement shall be construed as one document.

4. **EXERCISE OF THE C360 CALL OPTION**

The Board is pleased to announce that C360 has also, on 25 September 2015, served notice on the JV Partner to exercise the C360 Call Option (the “**Call Option Notice**”) on the Amended Terms, and has completed the exercise of the C360 Call Option and the acquisition of the Option Shares pursuant thereto (“**Completion**”) on the same day (the “**Call Option Completion Date**”). The JV Company is now a wholly-owned subsidiary of C360.

In connection with the Completion, and in accordance with the Supplemental Agreement, C360 has, on 25 September 2015, allotted and issued the Consideration Shares to the JV Partner. Following the allotment and issue of the Consideration Shares, the total number of issued shares of C360 has increased from 3,520,000 shares to 3,770,000 shares, and the Company’s shareholding thereof has decreased from 100% to 93.4%.

5. **RATIONALE FOR THE EXERCISE OF THE C360 CALL OPTION**

The Board believes that the exercise of the C360 Call Option is in the best interests of the Group as it will enable the Group to increase its shareholding interests in the JV Company from 51% (prior to the exercise of the C360 Call Option) to 100% on Completion, and thereby enable the Group to:

- a. strengthen its position in the games and toys distribution business in the Asia Pacific region;
- b. harness operational and business synergies between the JV Company and the rest of the C360 group; and
- c. reap 100% of the economic benefits from the JV Company arising from its future growth plans.

6. FINANCIAL EFFECTS OF THE EXERCISE OF THE C360 CALL OPTION

The financial effects of the exercise of the C360 Call Option are for illustration purposes only and do not reflect the actual future financial position of the Group after the exercise of the C360 Call Option.

The pro forma financial effects have been computed based on (i) the audited consolidated financial statements of the Group for FY2014; (ii) the audited consolidated financial statements of the JV Company for FY2014; (iii) S\$9.1 million of the Aggregate Cash Sum being financed by external borrowings and interest on these external borrowings not having been taken into account; and (iv) the expenses incurred in relation to the exercise of the C360 Call Option are negligible.

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

6.1 Net tangible assets per Share

Assuming that the exercise of the C360 Call Option had been completed on 31 December 2014, the effect of the exercise of the C360 Call Option on the Group's net tangible assets attributable to shareholders of the Company ("NTA") per share of the Company ("Share") as at 31 December 2014 would have been:

	Before the exercise of the C360 Call Option	After the exercise of the C360 Call Option
NTA of the Group (S\$'000)	40,157	21,957
Number of Shares ('000)	334,841	334,841
NTA per Share (S\$ cents)	11.99	6.56

6.2 Earnings per Share

Assuming that the exercise of the C360 Call Option had been completed on 23 September 2014 (being the date of incorporation of the JV Company), the effect of the exercise of the C360 Call Option on the Group's earnings per Share ("EPS") for FY2014 would have been:

	Before the exercise of the C360 Call Option	After the exercise of the C360 Call Option
Net profit attributable to shareholders of the Company for FY2014 (S\$'000)	1,708	1,743
Weighted average number of Shares ('000)	318,489	318,489
EPS (S\$ cents)	0.54	0.55

6.3 Gearing

	Before the exercise of the C360 Call Option	After the exercise of the C360 Call Option
Total (cash)/net borrowings ⁽¹⁾ as at 31 December 2014 (S\$'000)	22,579	40,779
Shareholders' equity ⁽²⁾ (S\$'000)	59,484	41,284
Gearing (times)	0.38	0.99

Notes:

- (1) Net borrowings means the aggregate liabilities arising from interest bearing borrowings less cash at bank, on hand and short term bank deposits.
- (2) Shareholders' equity means the total equity attributable to owners of the Company and non-controlling interests.

7. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated financial statements of the Group for the half year ended 30 June 2015 ("HY2015"), and the unaudited consolidated financial statements of the JV Company for HY2015, the relative figures for the exercise of the C360 Call Option computed on the applicable bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (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 profits attributable to the assets acquired compared with the Group's net profits ⁽¹⁾	0.1%
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation ⁽²⁾	23.3%
(d)	Number of equity securities issued as consideration for an acquisition, compared with the number of equity securities previously issued	Not Applicable
(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not Applicable

Notes:

- (1) The Group's profit before tax for HY2015 was approximately S\$1.66 million. The JV Company's acquired profit before tax for HY2015 was approximately S\$1,000.
- (2) The Company's market capitalization of approximately S\$90.2 million was computed based on the Company's existing issued share capital of 474,367,530 shares and the volume weighted average price of S\$0.1901 per share on 25 September 2015, being the market day preceding the date of the exercise of the C360 Call Option (being 25 September 2015).

Having regard to the above, as the relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceed 5% but do not exceed 75%, the exercise of the C360 Call Option constitutes a “discloseable transaction” under Rule 1010 of the Catalist Rules.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or the controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the above transactions, other than their respective shareholdings in the Company (if any).

9. DIRECTORS’ SERVICE CONTRACTS

The Company does not intend to appoint any new director to the Company in connection with the exercise of the C360 Call Option on the Amended Terms. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

10. DIRECTORS’ RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the exercise of the C360 Call Option, 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

BY ORDER OF THE BOARD
DECLOUT LIMITED

Wong Kok Khun
Chairman and Group Chief Executive Officer
25 September 2015

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

This announcement has not been examined or approved by the SGX-ST 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. Alice Ng, Director and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.