CIRCULAR DATED 31 MARCH 2014

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Unless otherwise defined, capitalised terms appearing on the cover of this Circular bear the same meanings as defined in this Circular.

If you have sold all your shares in the capital of Scorpio East Holdings Ltd. (the "**Company**"), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the Proxy Form to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale for onward transmission to the purchaser.

Neither the Monetary Authority of Singapore (the "**Authority**") nor Singapore Exchange Securities Trading Limited (the "**SGX-ST**") has examined or approved the contents of this Circular. Neither the Authority nor SGX-ST assumes any responsibility for the contents of this Circular, including the correctness of any statements or opinions made or reports contained in this Circular.

Neither the Authority nor the SGX-ST has in any way considered the merits of the shares or units of shares being offered for investment. The lodgement of this Circular with the SGX-ST or the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, or requirements under SGX-ST's listing rules, have been complied with.

The Company is a sponsored company listed on Catalist. Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the SGX-ST Main Board. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the Shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

An application has been or will be made for permission for the listing and quotation of the Consideration Shares, the Consolidated Shares, and the Placement Shares on Catalist. The listing and quotation notice, if issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions, the Company, the Scorpio Group, the Target Group, the Enlarged Group, the Shares, the Consolidated Shares, the Consideration Shares or the Placement Shares.

YOUR ATTENTION IS DRAWN TO THE "RISK FACTORS" SECTION IN THE "LETTER TO SHAREHOLDERS FROM THE DIRECTORS OF SCORPIO EAST HOLDINGS LTD.", WHICH YOU SHOULD READ CAREFULLY.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200415164G)

CIRCULAR TO SHAREHOLDERS

in relation to:

(1) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF KOP PROPERTIES PTE. LTD. FOR THE CONSIDERATION OF S$150 MILLION;
(2) THE PROPOSED SHARE CONSOLIDATION OF EVERY 2 SHARES INTO 1 CONSOLIDATED SHARE;
(3) THE PROPOSED ALLOTMENT AND ISSUE OF 714,285,714 CONSIDERATION SHARES TO THE VENDORS AT THE ISSUE PRICE OF S$0.21 FOR EACH CONSIDERATION SHARE IN SATISFACTION OF THE CONSIDERATION;
(4) THE PROPOSED WHITEWASH RESOLUTION;
(5) THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS UPON COMPLETION OF THE PROPOSED ACQUISITION;
(6) THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "SCORPIO EAST HOLDINGS LTD." TO "KOP LIMITED"; AND
(7) THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 80 MILLION PLACEMENT SHARES PURSUANT TO THE PROPOSED PLACEMENT.

Financial Adviser in respect of the Proposed Acquisition
HONG LEONG FINANCE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 196100003D)

Independent Financial Adviser in respect of the Proposed Whitewash Resolution
ASIAN CORPORATE ADVISORS PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

Last date and time for lodgement of Proxy Form	:	23 April 2014 at 9:30 a.m.
Date and time of Extraordinary General Meeting	:	25 April 2014 at 9:30 a.m.
Place of Extraordinary General Meeting	:	25 Tai Seng Avenue, #01-01, Scorpio East Building, Singapore 534104

*SAC Capital Private Limited is the continuing sponsor of the Company (the "**Continuing Sponsor**") and has not reviewed the contents of this Circular. The Continuing Sponsor has confirmed that it is not aware of any non-compliance with the Catalist Rules by the Company as at the date of this Circular. The contact person for the Continuing Sponsor is Mr. Ong Hwee Li (Telephone: +65 6221 5590) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.*

*Hong Leong Finance Limited (the "**Financial Adviser**"), the financial adviser to the Company, confirms that to the best of its knowledge and belief, having made reasonable enquiries, and based on the information provided by or on behalf of the Company, the Target Company and the Vendors, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Target Group, and the Enlarged Group, and it is not aware of any facts the omission of which would make any statement in this Circular misleading.*

Where information has been extracted from published or publicly available sources, the sole responsibility of the Financial Adviser has been to ensure that such information has been accurately and correctly extracted from such sources.

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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Dr Ho Kah Leong (*Non-executive Chairman and Independent Director*) Ko Chuan Aun (*CEO and Executive Director*) Yee Kit Hong (*Independent Director*) Chia Hoo Khun Valery Kelvin (*Independent Director*) Toh Tian Sze (*Non-executive Director*)
PROPOSED NEW BOARD OF DIRECTORS	:	Dr Ho Kah Leong (*Non-executive Chairman and Independent Director)* Ong Chih Ching (*Group CEO and Executive Director*) Leny Suparman (*CEO of the Target Group immediately after Completion and Executive Director*) Ko Chuan Aun (*CEO of the Scorpio Group (excluding the Company) immediately after Completion and Executive Director*) Lee Kiam Hwee Kelvin (*Independent Director*) Yu-Foo Yee Shoon (*Independent Director*)
JOINT COMPANY SECRETARIES	:	Tan Siew Hua Teo Meng Keong
REGISTERED OFFICE OF THE COMPANY	:	25 Tai Seng Avenue #06-01, Scorpio East Building Singapore 534104
FINANCIAL ADVISER TO THE COMPANY IN RESPECT OF THE PROPOSED ACQUISITION	:	Hong Leong Finance Limited 16 Raffles Quay, #01-05 Hong Leong Building Singapore 048581
AUDITORS OF THE COMPANY	:	Deloitte & Touche LLP 6 Shenton Way OUE Downtown 2 #32-00 Singapore 068809 Partner-in-charge: Mr Rankin Brandt Yeo (a member of the Institute of Singapore Chartered Accountants)
AUDITORS OF THE TARGET COMPANY	:	Deloitte & Touche LLP 6 Shenton Way OUE Downtown 2 #32-00 Singapore 068809 Partner-in-charge: Ms Tay Hwee Ling (a member of the Institute of Singapore Chartered Accountants)
REPORTING ACCOUNTANTS OF THE ENLARGED GROUP IN RELATION TO THE PROPOSED ACQUISITION	:	Deloitte & Touche LLP 6 Shenton Way OUE Downtown 2 #32-00 Singapore 068809 Partner-in-charge: Ms Tay Hwee Ling (a member of the Institute of Singapore Chartered Accountants)
LEGAL ADVISER TO THE COMPANY ON SINGAPORE LAW IN RESPECT OF THE PROPOSED ACQUISITION	:	Drew & Napier LLC 10 Collyer Quay, #10-01 Ocean Financial Centre Singapore 049315

LEGAL ADVISER TO KOPG AND THE TARGET COMPANY ON SINGAPORE LAW IN RESPECT OF THE PROPOSED ACQUISITION	:	WongPartnership LLP 12 Marina Boulevard Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982
INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE PROPOSED WHITEWASH RESOLUTION	:	Asian Corporate Advisors Pte. Ltd. 112 Robinson Road #03-02 Singapore 068902
INDEPENDENT VALUER	:	Ernst & Young Solutions LLP One Raffles Quay North Tower, Level 18 Singapore 048583 Partner-in-charge: Andre Toh (a member of the Institute of Singapore Chartered Accountants) (Fellow of Certified Public Accountants (Australia))
SHARE REGISTRAR AND SHARE TRANSFER AGENT	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) 80 Robinson Road, #02-00 Singapore 068898
PRINCIPAL BANKERS TO THE TARGET GROUP	:	PT Bank CIMB Niaga Tbk Graha CIMB Niaga Lt. 11 Jl. Jend. Sudirman Kav. 58 Jakarta 12190 Indonesia United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
PRINCIPAL BANKERS TO THE COMPANY	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #29-02/04 OCBC Centre Singapore 049613 Malayan Banking Berhad 2 Battery Road Maybank Tower Singapore 049907
PROPERTY VALUERS	:	Cushman & Wakefield VHS Pte. Ltd. 3 Church Street #09-03 Samsung Hub Singapore 049483 HVS – London Office 7-10 Chandos Street Cavendish Square London W1G 9DQ United Kingdom

KJPP Rengganis, Hamid & Rekan
Menara Kuningan 8^{th} Floor
Jl. HR. Rasuna Said Blok X-7 Kav. 5
Jakarta 12940
Indonesia

In this Circular, unless the context otherwise requires, the following terms or expressions shall have the following meanings:

Entities in the Proposed Transactions

"AHS"	:	Art Heritage Singapore Pte. Ltd.
"Company" or "Scorpio"	:	Scorpio East Holdings Ltd.
"CH(IOM)"	:	The Cranley Hotel (IOM) Limited
"CHL"	:	Cranley Hotel Limited
"CRE"	:	Cranley Real Estate Limited
"Enlarged Group"	:	The Scorpio Group and the Target Group immediately following Completion
"Enlarged Group Company"	:	Has the meaning ascribed to it in Section 8.8(d) of this Circular
"Franklyn Europe"	:	Franklyn Hotels & Resorts (Europe) Limited
"Gramercy Properties"	:	Gramercy Properties Pte. Ltd.
"KOP Hospitality"	:	KOP Hospitality Pte. Ltd.
"KOP Luxury"	:	KOP Luxury Lifestyles Pte. Ltd.
"Montigo Nongsa"	:	Montigo Nongsa Pte. Ltd.
"PTTCP"	:	P.T. Teguh Cipta Pratama
"PTMS"	:	P.T. Montigo Seminyak
"Scorpio Group"	:	Scorpio, the Scorpio Subsidiaries and/or its associated companies and "Scorpio Group Company" refers to any one of them
"Scorpio Subsidiaries"	:	The subsidiaries of the Company as at the date of this Circular, being: (a) Scorpio East Entertainment Pte. Ltd.; (b) Scorpio East Multimedia Pte. Ltd.; (c) Scorpio East Pictures Pte. Ltd.; (d) Scorpio East Pictures Sdn. Bhd.; (e) Scorpio East Pictures (H.K.) Limited; (f) Scorpio East Leisure Pte. Ltd.; (g) Scorpio East Productions Pte. Ltd.; and (h) Scorpio East Properties Pte. Ltd.
"Target Associated Company"	:	An associated company of the Target Company
"Target Company" or "KOPP"	:	KOP Properties Pte. Ltd.

"Target Group"	:	The Target Company, the Target Subsidiaries and/or its associated companies and "Target Group Company" refers to any one of them
"Target Subsidiaries"	:	Subsidiaries of the Target Company, and "Target Subsidiary" refers to any one of them. For more information of the Target Subsidiaries, please refer to Section B2 of this Circular

Other Companies, Corporations and Organisations

"ACRA"	:	Accounting & Corporate Regulatory Authority of Singapore
"BCA"	:	Building and Construction Authority of Singapore
"CDP"	:	The Central Depository (Pte) Limited
"CIMB Niaga"	:	PT Bank CIMB Niaga Tbk
"Cushman & Wakefield"	:	Cushman & Wakefield VHS Pte. Ltd.
"Financial Adviser" or "Hong Leong Finance"	:	Hong Leong Finance Limited
"Franklyn Singapore"	:	Franklyn Hotels & Resorts Pte. Ltd.
"Hayden Properties"	:	Hayden Properties Pte. Ltd.
"HVS London"	:	HVS – London Office
"IFA" or "Asian Corporate Advisors"	:	Asian Corporate Advisors Pte. Ltd.
"Independent Valuer" or "EY"	:	Ernst & Young Solutions LLP
"KJPP Rengganis"	:	KJPP Rengganis, Hamid & Rekan
"KOPG"	:	KOP Group Pte. Ltd.
"KOPG Group"	:	KOPG, its subsidiaries and/or its associated companies
"KOP H&R"	:	KOP Hotels & Resorts Pte. Ltd.
"Marvel"	:	Marvel Characters B.V.
"Property Valuers"	:	(a) Cushman & Wakefield; (b) HVS London; and (c) KJPP Rengganis
"Reporting Accountant" or "Deloitte & Touche"	:	Deloitte & Touche LLP
"Royce Properties"	:	Royce Properties Pte. Ltd.
"Sardinia Properties"	:	Sardinia Properties Pte. Ltd.
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"SIC"	:	Securities Industry Council

"URA"	:	Urban Redevelopment Authority of Singapore
"UOB"	:	United Overseas Bank Limited
"VHE"	:	Victory Hill Exhibitions, LLC

Project Names

"10 Trinity Square"	:	A mixed-used development located at 10 Trinity Square, London EC3N 4AJ, UK
"158 Cecil Street"	:	A 14-storey office building located at 158 Cecil Street, Singapore 069545, formerly known as "The Spazio"
"Cranley Hotel"	:	The hotel known as Cranley Hotel located at 8, 10 and 12 Bina Gardens, South Kensington, London SW5 0LA, UK
"Hamilton Scotts"	:	A 30-storey residential development project located at 37 Scotts Road, Singapore 228229
"Montigo Resorts, Nongsa"	:	Development project located at Jalan Hang Lekir, Sambau Sub-District, Nongsa District, Batam City, Riau Islands Province, Indonesia
"Montigo Resorts, Seminyak"	:	The resort currently known as "Semara Resort & Spa", to be rebranded as "Montigo Resorts, Seminyak", located at Jalan Petitenget, Seminyak Sub-District, North Kuta District, Badung Region, Bali Province, Indonesia
"Scotts Spazio"	:	A four-storey office building located at 51 Scotts Road, Singapore 228241
"Singapore Pinacotheque de Paris"	:	Development project for a proposed modern art museum and lifestyle centre with food and beverage and retail outlets as well as space for corporate events, located at 5 Cox Terrace, Singapore 179618
"The Ritz-Carlton Residences"	:	A 36-storey residential development project located at 61 and 65 Cairnhill Road, Singapore 048623, known as "The Ritz-Carlton Residences, Singapore, Cairnhill"

General

"Acquisition Agreements"	:	(a) KOPG Acquisition Agreement; and (b) Individual Vendors Acquisition Agreement
"AGM"	:	Annual general meeting
"Announcement"	:	Announcement by the Company dated 2 December 2013
"Articles of Association"	:	The articles of association of a company, as amended from time to time

"Associate"	:	(a) In relation to any director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his immediate family; (ii) his trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; (b) In relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"Audit Committee"	:	The audit committee of the Company or the Enlarged Group, for the time being, as the case may be
"Board"	:	The board of Directors of the Company for the time being
"Board Committees"	:	Has the meaning ascribed to it in Section 8.12 of this Circular
"Books Closure Date"	:	The time and date to be determined by the Board, at and on which the Register of Members and share transfer books of the Company will be closed to determine the entitlements of Consolidated Shares of Shareholders under the Proposed Share Consolidation
"Business Day"	:	A day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Singapore
"Catalist"	:	The Catalist Board of the SGX-ST
"Catalist Rules"	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended, supplemented or revised from time to time
"CEO"	:	Chief Executive Officer
"CFO"	:	Chief Financial Officer
"Circular"	:	This circular to Shareholders dated 31 March 2014
"Code"	:	The Singapore Code on Take-overs and Mergers
"Commencement Date"	:	Has the meaning ascribed to it in Section 8.8 of this Circular
"Companies Act"	:	Companies Act (Chapter 50) of Singapore, as amended from time to time
"Completion"	:	Has the meaning ascribed to it in Section 2.4 of this Circular

"Completion Date"	:	A date falling 5 Business Days after the date on which the last of the outstanding conditions precedent, save for such conditions which have been fulfilled or waived by the Company and/or KOPG (as the case may be), or such other date as KOPG and the Company may mutually agree in writing
"Concert Parties Group"	:	Has the meaning ascribed to it in Section 4.2 of this Circular
"Conditions Precedent"	:	Has the meaning ascribed to it in Section 2.4 of this Circular
"Consideration"	:	Has the meaning ascribed to it in Section 2.3 of this Circular
"Consideration Shares"	:	The 714,285,714 new Consolidated Shares to be allotted and issued by the Company to the Vendors at the Issue Price in satisfaction of the consideration for the Proposed Acquisition
"Consolidated Shares"	:	The ordinary shares in the capital of the Company after completion of the Proposed Share Consolidation
"Controlling Shareholder"	:	A person who: (a) holds, directly or indirectly, 15% or more of the nominal amount of all voting shares in the Company or the Enlarged Group, as the case may be (unless otherwise excepted by SGX-ST); or (b) in fact exercises control over the Company or the Enlarged Group, as the case may be
"COO"	:	Chief Operating Officer
"Directors"	:	The directors of the Company for the time being
"Effective Trading Date"	:	The date when the Proposed Share Consolidation will become effective and the date on which the Shares will trade on the SGX-ST in board lots of 1,000 Consolidated Shares
"EGM"	:	The extraordinary general meeting of the Company, the notice of which is set out in this Circular
"Enlarged Share Capital"	:	The enlarged issued share capital of the Company after completion of the Proposed Transactions
"EPS"	:	Earnings per share
"Executive Directors"	:	The executive Directors
"FY"	:	Financial year ended or ending 31 March, unless otherwise stated
"GFA"	:	Gross floor area
"HGB"	:	Hak guna bangunan
"Housing Developers (Control and Licensing) Act"	:	Housing Developers (Control and Licensing) Act (Chapter 130) of Singapore, as amended from time to time
"HY"	:	Half year ended or ending 30 September, unless otherwise stated

"IFA Letter"	:	The letter from the IFA to the Independent Directors as set out in **Appendix C** to this Circular
"Independent Directors"	:	Directors who are considered independent for the purposes of making the recommendation to Independent Shareholders (being all the Directors) in relation to the Proposed Whitewash Resolution
"Independent Shareholders"	:	Shareholders who are not involved in or interested in the Proposed Acquisition
"Independent Valuation Summary Letter"	:	The independent valuation summary letter dated 12 March 2014 prepared by EY as set out in **Appendix A** to this Circular
"Independent Valuation Report"	:	The independent valuation report dated 12 March 2014 prepared by EY which is referred to in the Independent Valuation Summary Letter
"Individual Vendors"	:	The Original Individual Vendors and the New Individual Vendors, comprising: (a) Ong Chih Ching; (b) Leny Suparman; (c) Ong Siew Ting, Geraldine; (d) Jin Lu; (e) Ang Yew Lai; (f) Han Seng Juan; (g) Ong Phang Hoo; (h) Cho Kim Wing; (i) Te Kok Chiew; (j) Low Kheng Hong @ Lau Kheng Hong; and (k) Wang Xuan
"Individual Vendors Acquisition Agreement"	:	The conditional sale and purchase agreement between the Company and the Individual Vendors in respect of the Proposed Acquisition dated 27 November 2013
"Issue Price"	:	Has the meaning ascribed to it in Section 2.3 of this Circular
"KOPG Consideration Shares"	:	428,571,428 Consideration Shares
"KOPG Acquisition"	:	Acquisition by the Company of the 9,000,000 Shares, representing 60% of the issued and paid-up share capital of the Target Company, to be acquired by the Company from KOPG on the terms and subject to the conditions of the KOPG Acquisition Agreement
"KOPG Acquisition Agreement"	:	The conditional sale and purchase agreement between the Company (as purchaser), KOPG (as vendor) and Ong Chih Ching (as warrantor) in respect of the Proposed Acquisition dated 27 November 2013

"Latest Practicable Date"	:	The latest practicable date prior to the printing of this Circular, being 18 March 2014
"Letter"	:	Has the meaning ascribed to it in Section 2.5 of this Circular
"Listing Approval"	:	The receipt and non-withdrawal of listing and quotation notice from the SGX-ST for, among other things, the listing and quotation of the Consolidated Shares, the Consideration Shares and the Placement Shares on Catalist, on conditions (if any) acceptable to the Vendors
"Long-stop Date"	:	31 January 2014, which has since been amended to 30 June 2014, or such other date as the Company and the Vendors may agree in writing
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"Memorandum"	:	The memorandum of association of a company, as amended from time to time
"Minimum Issue Price"	:	Has the meaning ascribed to it in Section 3.2 of this Circular
"MICE"	:	Meetings, incentives, conferences and exhibitions
"MOU"	:	The non-binding memorandum of understanding between the Company, KOPG, and the Original Individual Vendors in respect of the proposed acquisition by the Company of the Sale Shares dated 23 August 2013
"New Individual Vendors"	:	Ang Yew Lai, Han Seng Juan, Ong Phang Hoo, Cho Kim Wing, Te Kok Chiew, Low Kheng Hong @ Lau Kheng Hong and Wang Xuan
"New Share Certificates"	:	Has the meaning ascribed to it in Section 3.4(b) of this Circular
"Nominating Committee"	:	The nominating committee of the Company, for the time being, as the case may be
"Notice of EGM"	:	The notice of EGM as set out on page N-1 of this Circular
"NTA"	:	Net tangible assets
"Old Share Certificates"	:	Has the meaning ascribed to it in Section 3.4(b) of this Circular
"Original Individual Vendors"	:	Ong Chih Ching, Leny Suparman, Ong Siew Ting Geraldine and Jin Lu
"PRC"	:	People's Republic of China
"Property Valuation Reports"	:	The property valuation reports or such part thereof and/or the valuation certificates, as the case may be, prepared by the Property Valuers as set out in **Appendix B** to this Circular
"Proposed Acquisition"	:	The proposed acquisition of the entire issued and paid-up share capital of the Target Company by the Company from the Vendors for the Consideration to be satisfied by the allotment and issue of the Consideration Shares to the Vendors

"Proposed Directors"	:	The new directors proposed to be appointed to or remain on the Board following Completion, namely Ong Chih Ching, Leny Suparman, Ko Chuan Aun, Ho Kah Leong, Lee Kiam Hwee Kelvin and Yu-Foo Yee Shoon
"Proposed Executive Directors"	:	The new executive directors proposed to be appointed by the Company following Completion, namely Ong Chih Ching, Leny Suparman and Ko Chuan Aun
"Proposed Executive Officers"	:	The new executive officers proposed to be appointed by the Company following Completion, namely Lily Foo, Joey Ong, Dalip Singh, Anton Kilayko and Ron Loi
"Proposed New Directors"	:	The new directors proposed to be appointed to the Board following Completion, namely Ong Chih Ching, Leny Suparman, Lee Kiam Hwee Kelvin and Yu-Foo Yee Shoon
"Proposed Placement"	:	The proposed placement of up to 80 million Placement Shares on behalf of the Company
"Placement Shares"	:	Up to 80 million new Consolidated Shares to be allotted and issued pursuant to the Proposed Placement
"Proposed Share Consolidation"	:	The proposed consolidation of every 2 existing Shares in the capital of the Company held by the Shareholders as at the Books Closure Date into 1 Consolidated Share
"Proposed Transactions"	:	The proposed transactions of this Circular comprising: (a) the Proposed Acquisition; (b) the Proposed Share Consolidation; (c) the proposed allotment and issue of 714,285,714 Consideration Shares to the Vendors at the Issue Price for each Consideration Share in satisfaction of the Consideration; (d) the Proposed Whitewash Resolution; (e) the appointment of the Proposed Directors upon Completion; (f) the proposed change of name of the Company from "Scorpio East Holdings Ltd." to "KOP Limited"; and (g) the proposed allotment and issue of up to 80 million Placement Shares pursuant to the Proposed Placement

"Proposed Whitewash Resolution"	:	A separate resolution of a majority of the Independent Shareholders in a general meeting of the Company to waive their rights to receive a mandatory takeover offer from KOPG and parties acting in concert with KOPG who would incur an obligation to make a mandatory takeover offer under Rule 14 of the Code for all of the shares of the Company not already owned by KOPG and persons acting in concert with KOPG as a result of the KOPG Acquisition and the transactions contemplated under the KOPG Acquisition Agreement, provided that KOPG and any persons not being Independent Shareholders abstain from voting on such resolution
"Proxy Form"	:	The proxy form in respect of the EGM as set out in this Circular
"Register of Members"	:	The register of members of the Company
"Remuneration Committee"	:	The remuneration committee of the Company for the time being, as the case may be
"Relevant Business"	:	Real estate development and investment, real estate origination, conceptualisation and development management services, real estate asset management, property management, hospitability business, video distribution, content production, events & exhibition, and entertainment businesses
"Relevant Individual Vendors"	:	Has the meaning ascribed to it in Section 4.2 of this Circular
"Sale Shares"	:	The 15,000,000 ordinary shares in the capital of the Target Company, representing the entire issued and paid-up capital of the Target Company
"Securities Account"	:	Securities account maintained by a Depositor with CDP but does not include a securities sub-account
"Securities and Futures Act"	:	Securities and Futures Act (Chapter 289) of Singapore, as amended from time to time
"Service Agreements"	:	The service agreements to be entered into between the Company and each of the Proposed Executive Directors, after Completion, as described in Section 8.8 of this Circular
"SGXNET"	:	A system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
"Shares"	:	Ordinary shares in the capital of the Company or Target Company, as the case may be
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose securities accounts maintained with CDP are credited with Shares
"Shareholder Undertakings"	:	The written undertakings dated 30 August 2013 and 6 September 2013 which the Company has procured from the Undertaking Shareholders
"SIC Conditions"	:	Has the meaning ascribed to it in Section 4.2 of this Circular

"SIC Waiver"	:	Has the meaning ascribed thereto in Section 2.4(e) of this Circular
"Singapore"	:	Republic of Singapore
"Substantial Shareholder"	:	A person who has an interest (as defined in the Companies Act) in one or more voting shares of a company and the total votes attached to those shares is not less than 5% of the total votes attached to all the voting shares of that company
"Territory"	:	Has the meaning ascribed to it in Section 8.8(e) of this Circular
"TOP"	:	Temporary Occupation Permit
"UK"	:	United Kingdom
"United States"	:	United States of America
"Undertaking Shareholders"	:	Cheng Kok Shin, Goh Bak Heng, Ko Chuan Aun, Lee Boon Leng, Lovell Peak Assets Ltd, Tan Kang Seng, Yiek Lay Yong and Yong Hsi Len
"Vendors"	:	KOPG, the Original Individual Vendors and the New Individual Vendors

Currencies and Units of Measurements

"%" or "per cent."	:	Per centum or percentage
"Rp"	:	Indonesian rupiah
"S$" and "cents"	:	Singapore dollars and cents, respectively
"£"	:	Pound sterling
"US$"	:	United States dollars
"sq ft"	:	Square feet
"sq m"	:	Square metres

For the purposes of this Circular, the following persons' names in the second column below are also known by the names set out in the first column:

Name used		**Name in National Registration Identity Card (NRIC) / Passport**
Anton Kilayko	:	Anton Amunategui Kilayko
Dalip Singh	:	Dalip Singh s/o Nand Singh
Geraldine Ong	:	Ong Siew Ting, Geraldine
Joey Ong	:	Ong Hsia Ning
Lee Kiam Hwee Kelvin	:	Lee Kiam Hwee
Lily Foo	:	Foo Lily
Ron Loi	:	Loi Lup Sheng, Ron
Yu-Foo Yee Shoon	:	Foo Yee Shoon

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them, respectively, in Section 130A of the Companies Act.

The terms “acting in concert”, “concert parties” and “associates” shall have the meaning ascribed to them, respectively, in the Code.

The terms “associate”, “group” and “associated company” shall have the meanings ascribed to them, respectively, in the Fourth Schedule of the Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations 2005.

The term “subsidiary” shall have the meaning ascribed to it in Section 5 of the Companies Act.

The term “interest” shall have the meaning ascribed to it in Section 7 of the Companies Act.

The terms “entity at risk, “interested person”, “interested person transaction” and “Official List” shall have the meanings ascribed to them, respectively, in the Section headed “Definitions and Interpretation” of the Catalist Rules.

References to Sections and Appendices are to sections of and appendices to this Circular.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word defined under the Securities and Futures Act, the Companies Act or the Code or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning ascribed to it under the Securities and Futures Act, the Companies Act or the Code or any statutory modification thereof as the case may be, unless the context requires otherwise.

Any reference in this Circular to Shares being allotted to a person includes allotment to CDP for the account of that person.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Certain names with Chinese characters have been translated into English names for the convenience of Shareholders. Such translations may not be registered with the relevant PRC authorities and should not be construed as representing the Chinese characters. In the event of any inconsistency between the official Chinese names and the translated English names, the official Chinese names shall prevail.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

All statements contained in this Circular, statements made in the press releases and oral statements that may be made by the Company or the Directors or key executives or employees acting on the Company's behalf, and/or by the Target Group, the Vendors, the directors or key executives or employees acting on the Target Group's behalf and/or by the Proposed Directors that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by words that are biased or by forward-looking terms such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "if", "intend", "may", "possible", "probable", "project", "plan", "should", "will", "would" and/or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's, the Target Group's and/or the Enlarged Group's expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including but not limited to, statements as to:

(i) revenue and profitability;

(ii) any expected growth;

(iii) expected industry trends;

(iv) future expansion plans; and

(v) other matters discussed in this Circular regarding matters that are not historical facts,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's, the Target Group's and/or the Enlarged Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risk factors and uncertainties are discussed in more detail in this Circular.

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Company, the Scorpio Group, the Target Group and/or the Enlarged Group to be materially different than expected, expressed or implied by the forward-looking statements in this Circular, you are advised not to place undue reliance on those statements.

None of the Company, the Scorpio Group, the Target Group, the Financial Adviser, their respective directors and executive officers, or any other person represents or warrants to you that the actual future results, performance or achievements of the Company, the Scorpio Group, the Target Group and/or the Enlarged Group will be as discussed in those statements.

The actual results of the Company, the Scorpio Group, Target Group and/or the Enlarged Group may differ materially from those anticipated in these forward-looking statements.

Further, the Company, the Scorpio Group, the Target Group and/or the Financial Adviser disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any regulatory or supervisory body or agency.

The Company, the Scorpio Group, the Target Group and their respective related corporations are, however, subject to the provisions of the Securities and Futures Act and the Catalist Rules regarding corporate disclosure and continuing listing requirements.

SCORPIO EAST HOLDINGS LTD.

(Company Registration Number: 200415164G)
(Incorporated in the Republic of Singapore)

Directors:	**Registered Office**:
Dr Ho Kah Leong (Non-executive Chairman and Independent Director) Ko Chuan Aun (Executive Director and CEO) Yee Kit Hong (Independent Director) Chia Hoo Khun Valery Kelvin (Independent Director) Toh Tian Sze (Non-executive Director)	25 Tai Seng Avenue #06-01, Scorpio East Building Singapore 534104

31 March 2014

To: Shareholders of Scorpio East Holdings Ltd.

Dear Sir/Madam

(1) The Proposed Acquisition of the entire issued and paid-up share capital of the Target Company for the consideration of S$150 million;

(2) The Proposed Share Consolidation of every 2 Shares into 1 Consolidated Share;

(3) The proposed allotment and issue of 714,285,714 Consideration Shares to the Vendors at the Issue Price of S$0.21 for each Consideration Share in satisfaction of the Consideration;

(4) The Proposed Whitewash Resolution;

(5) The proposed appointment of the Proposed New Directors upon completion of the Proposed Acquisition;

(6) The proposed change of name of the Company from "Scorpio East Holdings Ltd." to "KOP Limited"; and

(7) The proposed allotment and issue of up to 80 million Placement Shares pursuant to the Proposed Placement.

1. INTRODUCTION

1.1 Background

On 26 August 2013, the Company announced that it had entered into the MOU.

On 2 December 2013, the Company announced that the Company and the Vendors had, on 27 November 2013, entered into the Acquisition Agreements in respect of the Proposed Acquisition, pursuant to which the Company agreed to acquire, and the Vendors agreed to sell, the entire issued and paid-up share capital of the Target Company for a consideration of S$150 million, subject to the terms and conditions of the Acquisition Agreements.

Pursuant to the terms of the Acquisition Agreements, Completion shall take place on a date falling 5 Business Days after the date on which the last of the outstanding conditions precedent have been fulfilled, save for such conditions which have been fulfilled or waived by the Company and/or KOPG (as the case may be), or such other date as KOPG and the Company may agree in writing.

On 5 February 2014, the Company announced that the Company and the Vendors had agreed to extend the Long-stop Date in the Acquisition Agreements to 30 June 2014.

Further information on the Acquisition Agreements is set out under Section 2 of this Circular.

The announcements made by the Company on 26 August 2013, 2 December 2013 and 5 February 2014 are available on SGXNET.

1.2 Purpose of Circular

The Proposed Acquisition, if it proceeds to Completion, will result in a change of control of the Company and would constitute a "Very Substantial Acquisition" or a "Reverse Takeover" as defined under Chapter 10 of the Catalist Rules, and will be subject to, *inter alia*, the approval of the Shareholders at an EGM.

The purpose of this Circular is to provide Shareholders with information pertaining to the Proposed Transactions for which the approval of the Shareholders will be sought at the EGM. Specifically, approval will be sought by way of ordinary resolutions for the Proposed Transactions, except for the proposed change of name from "Scorpio East Holdings Ltd." to "KOP Limited" for which approval shall be sought by way of a special resolution.

Shareholders should note that the passing of Resolutions 2, 3, 5, 6, 7, 8, 9 and 10 are conditional on the passing of Resolution 1 and Resolution 4 and the passing of Resolution 1 is conditional on the passing of Resolution 4.

This Circular has been prepared solely for the purposes outlined above and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to by the Company) or for any other purpose.

2. THE PROPOSED ACQUISITION

2.1 Rationale for the Proposed Acquisition

The Board expects the Scorpio Group's existing core businesses to remain challenging as increasing competition and the softening of customers' demand for the Scorpio Group's video distribution business continue to erode the Scorpio Group's revenue and profit margins.

The Board believes the Proposed Acquisition would provide the Company with a new business, which subject to and upon Completion, would enable the Company to enhance the value of Shareholders' equity interests in the Company, while allowing Shareholders to have the benefit of holding shares in the Company's expanded business.

The Board also believes that the Proposed Acquisition represents an opportunity for the Company to venture into the property development market in Singapore, Indonesia, the UK and the PRC, since the Target Group is engaged in the development, management and marketing of residential and commercial properties, as well as the management of hotels and resorts in Singapore, Indonesia and the UK and has projects and/or operations in the PRC.

The Proposed Acquisition is expected to increase the market capitalisation of the Company significantly and raise the profile of the Company and generate investors' interest in the Company.

The Board is hence of the view that the Proposed Acquisition is in the best interests of the Company.

2.2 Valuation of the Target Group and Target Group's properties

Pursuant to Rule 1015(3) of the Catalist Rules, a competent and independent valuer has to be appointed to value the incoming business. The Company has commissioned the Independent Valuer to provide an independent, indicative fair market value range of the Target Group. Please refer to the Independent Valuation Summary Letter annexed in **Appendix A** to this Circular. As set out in paragraph 4 of the Independent Valuation Summary Letter, the "*fair market value of 100% equity interests in the issued and paid-up share capital of KOPP, assessed on a proforma basis, is in the range of S$166.5 million to S$178.2 million*" as at 30 September 2013. **Shareholders are advised to read the Independent Valuation Summary Letter carefully**.

Pursuant to Rule 416(2) of the Catalist Rules, a property development company applying for admission to the Official List must also appoint an independent external valuer to conduct a valuation of all its principal freehold and leasehold properties. The Target Group has commissioned the Property Valuers to provide an independent valuation of its principal freehold and leasehold properties. The Property Valuation Reports are annexed in **Appendix B** to this Circular.

2.3 Consideration

The Company will acquire the Sale Shares at a consideration of S$150 million ("**Consideration**"), which was agreed upon after arm's length negotiation and arrived at on a willing buyer willing seller basis, taking into consideration, *inter alia*, the earnings, financial position, management experience, track record and the business prospects of the Target Group.

The Consideration will be fully satisfied via the allotment and issue by the Company of 714,285,714 new Consolidated Shares ("**Consideration Shares**") to the Vendors, after the Proposed Share Consolidation, at the issue price of S$0.21 per Consideration Share ("**Issue Price**"). The Consideration Shares, when allotted and issued to the Vendors, shall be allotted and issued free from any and all encumbrances and together with all rights attaching or accruing thereto. The Consideration Shares will rank *pari passu* with the existing issued Shares of the Company as at the date of issuance of the Consideration Shares.

The Consideration Shares will represent 88.58% of the Enlarged Share Capital of the Company immediately after Completion.

The Consideration Shares shall be issued to the Vendors in the following proportion:

Vendors	Number of Consideration Shares	Consideration Shares as a percentage of the Company's issued share capital immediately after Completion (%)
KOP Group Pte. Ltd.	428,571,428	53.15
Wang Xuan	72,602,857	9.00
Ong Chih Ching	64,175,715	7.96
Leny Suparman	30,685,714	3.81
Han Seng Juan	18,750,000	2.33
Ong Phang Hoo	18,750,000	2.33
Te Kok Chiew	18,750,000	2.33
Jin Lu	18,095,238	2.24
Ang Yew Lai	12,500,000	1.55
Cho Kim Wing	12,500,000	1.55
Low Kheng Hong @ Lau Kheng Hong	11,904,762	1.48
Ong Siew Ting, Geraldine	7,000,000	0.87
Total	**714,285,714**	**88.58**

2.4 Conditions Precedent

Completion of the Proposed Acquisition ("**Completion**") under the Acquisition Agreements shall be conditional upon, *inter alia*:

(a) **Company Shareholders' approval.** The approval of the Shareholders at an EGM having been obtained for:

(i) the Proposed Acquisition;

(ii) the Proposed Share Consolidation;

(iii) the allotment and issue of the Consideration Shares by the Company to the Vendors;

(iv) the Proposed Placement, if any;

(v) the appointment of Ong Chih Ching and Leny Suparman, amongst others, to form the reconstituted Board on and with effect from the Completion Date; and

(vi) the change of name of the Company from "Scorpio East Holdings Ltd." to "KOP Limited" subject to and with effect from Completion, subject to compliance with applicable laws and regulatory requirements;

(b) **Independent Shareholders' approval for Proposed Whitewash Resolution.** The approval of the majority of the Independent Shareholders being obtained at an EGM for the Proposed Whitewash Resolution;

(c) **Company Board approval.** The approval of the Board for the Proposed Acquisition (including the execution of the Acquisition Agreements), the allotment and issue of the Consideration Shares by the Company to the Vendors and the transactions contemplated under the Acquisition Agreements;

(d) **KOPG Board and Shareholder approvals.** The approval of the board of directors and the shareholders of KOPG for the sale and disposal of KOPG's 60% shareholding interest in the entire issued and paid-up share capital of the Target Company to the Company, and the transactions contemplated under the Acquisition Agreements;

(e) **Waiver by SIC.** The grant by the SIC of a waiver (such waiver not having been withdrawn or revoked as at the Completion Date) to KOPG and parties acting in concert with KOPG, of their obligation to make a mandatory offer under Rule 14 of the Code for the shares in the Company not held by KOPG and its concert parties, and from having to comply with the requirements of Rule 14 of the Code upon Completion and the allotment and issue of the KOPG Consideration Shares to KOPG ("**SIC Waiver**") and if such waiver is subject to any condition or restriction imposed by the SIC, such condition and/or restriction being reasonably acceptable to KOPG and the Company;

(f) **SGX-ST approval for the Proposed Acquisition.** The approval of the SGX-ST for the Proposed Acquisition, the Proposed Share Consolidation and the transactions contemplated under the Acquisition Agreements having been obtained where necessary, and if such approval is subject to any condition or restriction imposed by the SGX-ST, such condition and/or restriction being reasonably acceptable to KOPG and the Company;

(g) **SGX-ST approval for listing and quotation.** The approval of the SGX-ST and the receipt of a listing and quotation notice from the SGX-ST for the admission of the Consideration Shares and such number of new ordinary shares in the share capital of the Company to be allotted and issued (if any) pursuant to the Proposed Placement to the Official List, and the dealing and quotation of such shares on Catalist upon the allotment and issue of such shares, and if such approval is subject to any condition or restriction imposed by the SGX-ST, such condition and/or restriction being reasonably acceptable to KOPG and the Company;

(h) **No material adverse change.** There being no changes to the business, financial conditions or operations of any Scorpio Group Company or Target Group Company since the date of the Acquisition Agreements that would in the reasonable opinion of KOPG or the Company (as the case may be) be likely to have a material adverse effect;

(i) **Governmental approvals for the Company.** The licences, authorisations, orders, grants, confirmations, permissions, registrations, waivers, exemptions and other approvals necessary or desirable for or in respect of the Proposed Acquisition, the allotment and issue of the Consideration Shares to the Vendors and the transactions contemplated under the Acquisition Agreements, having been obtained from the appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms reasonably satisfactory to the Company, and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to KOPG and the Company;

(j) **Governmental approvals for Vendors.** The licences, authorisations, orders, grants, confirmations, permissions, registrations, waivers, exemptions and other approvals necessary or desirable for or in respect of the sale of the Sale Shares by the Vendors to the Company and the transactions contemplated under the Acquisition Agreements, having been obtained from the appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms reasonably satisfactory to KOPG and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals continuing to remain in full force and effect up to and including the Completion Date, and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to KOPG and the Company;

(k) **Change in control approval (Scorpio Group).** With respect to the agreements specified in paragraph 1 of Schedule 8 of the KOPG Acquisition Agreement, to which any Scorpio Group Company is bound and contain restrictions or prohibitions on the change in control of the shareholdings or the board of directors of any Scorpio Group Company or include any right to terminate exercisable prior to or as a result of any matter contemplated by the Acquisition Agreements (including but not limited to the allotment and issue of the Consideration Shares to the Vendors), receipt by KOPG of a written confirmation in a form and on terms (if any) reasonably satisfactory to KOPG by the counterparts thereto, of the waiver of such restrictions or prohibition in relation to any such change arising from the Proposed Acquisition or the transactions under the Acquisition Agreements or of any such right to terminate;

(l) **Change in control approval (Target Group).** With respect to the agreements specified in paragraph 2 of Schedule 8 of the KOPG Acquisition Agreement to which a Target Group Company is bound and contain restrictions or prohibitions on the change in control of the shareholders or the board of directors of any Target Group Company or include any right to terminate exercisable prior to or as a result of any matter contemplated by the Acquisition Agreements (including but not limited to the sale and transfer of the Sale Shares from the Vendors to the Company), receipt by the Company of a written confirmation in a form and on terms (if any) reasonably satisfactory to the Company by the counterparts thereto, of the waiver of such restrictions or prohibition in relation to any such change arising from the Proposed Acquisition or the transactions under the Acquisition Agreements or of any such right to terminate;

(m) **All other consents and approvals.** The Company and the Vendors having obtained all necessary bank consents and other necessary consents, approvals and waivers from all relevant third parties and/or authorities for the sale and transfer of the Sale Shares from the Vendors to the Company, the allotment and issue of the Consideration Shares to the Vendors and the transactions contemplated under the Acquisition Agreements, and such consents, approvals and waivers not having been amended or revoked and remaining in full force and effect up to and including the Completion Date, and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to KOPG or the Company (as the case may be);

(n) **No breach.** The Proposed Acquisition, the allotment and issue of the Consideration Shares by the Company to the Vendors and the transactions contemplated under the Acquisition Agreements not being prohibited by and will not result in a breach of, any statute, order, rule, regulation, directive, guideline or request promulgated by, or any judgment or decree of, any legislative, executive, judicial or regulatory body or authority in Singapore, Indonesia, the UK or any other jurisdiction affecting any Scorpio Group Company, Target Group Company or the Vendors; and

(o) **No trading suspension.** Trading of the issued shares of the Company not being suspended by the SGX-ST and such shares not having been delisted from Catalist.

If any of the conditions precedent in the Acquisition Agreements ("**Conditions Precedent**") is not satisfied (or is not waived by the Company and/or KOPG, as the case may be) on or before the Long-stop Date, the Acquisition Agreements shall terminate, save for certain clauses which relate to, *inter alia*, confidentiality and costs.

The Company and the Vendors have agreed to extend the Long-stop Date in the Acquisition Agreements to 30 June 2014.

As at the Latest Practicable Date, the Conditions Precedent are pending fulfillment. An announcement will be made by the Company to notify Shareholders of the fulfillment of the Conditions Precedent in due course.

2.5 Information on the Vendors

The Vendors are collectively the legal owners of the Sale Shares. Please refer to the "Letter to Shareholders From the Directors of KOP Properties Pte. Ltd." in this Circular ("**Letter**") for more details on the Vendors.

2.6 Information on the Target Group

The Target Company was incorporated on 9 May 2008 in Singapore.

As at the Latest Practicable Date, the Target Company is a Singapore-based real estate development, investment and management services company with projects and/or operations in Singapore, Indonesia, the PRC and the UK.

Further information on the Target Group is set out in the Letter.

2.7 The Proposed Acquisition as a "Very Substantial Acquisition" or "Reverse Takeover" transaction

For the purposes of Chapter 10 of the Catalist Rules, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (e) of the Catalist Rules are as follows:

1.	**Rule 1006(a)** Net asset value of the assets to be disposed of, compared with the Scorpio Group's net asset value	Not applicable to the Proposed Acquisition
2.	**Rule 1006(b)** Net profits attributable to the assets acquired, compared with the Scorpio Group's net profits	Not meaningful(1)
3.	**Rule 1006(c)** Aggregate value of consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares in the share capital of the Company excluding treasury shares	535.84%(2)
4.	**Rule 1006(d)** Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	775.69%(3)

5.	**Rule 1006(e)**	Not applicable to the Proposed Acquisition
	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate volume or amount of the Scorpio Group's proven and probable reserves	

Notes:

(1) The net profits of the Target Group for FY2013 (being the latest available audited financial statements of the Target Group) was S$5,432,260. The net loss of the Scorpio Group for the financial year ended 30 April 2013 (being the latest available audited financial statements) was S$1,227,039. Under Rule 1002(3) of the Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.

(2) Based on the Consideration of S$150 million for the Proposed Acquisition and the Company's market capitalisation of S$27,993,554 as at 26 November 2013, being the market day on which the shares were trading immediately preceding the date of the Acquisition Agreements. The Company's market capitalisation is calculated by multiplying the number of shares in issue by the volume weighted average traded price of S$0.152 on 26 November 2013 (Source: Bloomberg LP).

(3) Based on the 714,285,714 Consideration Shares to be issued for the Proposed Acquisition after the Proposed Share Consolidation and the 92,084,058 existing issued shares in the share capital of the Company as at 27 November 2013 (being the market day immediately preceding the date of the Announcement) (assuming that in respect of the 184,168,117 Shares, representing the entire issued share capital of the Company as at 27 November 2013, every 2 existing ordinary shares of the Company had been consolidated into 1 ordinary share of the Company).

Immediately upon Completion, the Vendors will collectively hold approximately 88.58% of the Enlarged Share Capital, thus resulting in a change in control of the Company. In addition, the relative figures under Rules 1006(c) and (d) of the Catalist Rules exceed 100%.

Accordingly, pursuant to Rule 1015 of the Catalist Rules, the Proposed Acquisition is classified as a "Very Substantial Acquisition" or "Reverse Takeover" and shall be conditional upon, *inter alia*, the approval of the Shareholders in general meeting and the Listing Approval being obtained.

2.8 Undertakings to vote in favour of the Proposed Acquisition

The Undertaking Shareholders are directly or indirectly interested in an aggregate 48,485,000 Shares (representing approximately 26.33% of the issued share capital of the Company as at the Latest Practicable Date). As at the Latest Practicable Date, each Undertaking Shareholder's interest in the Company is as follows:

	As at the Latest Practicable Date	
	Direct Interest	
Name of Undertaking Shareholder	**Number of Shares held by Undertaking Shareholder**	**Number of Shares held by Undertaking Shareholder as a percentage of the total issued Shares (%)**
Lovell Peak Assets Ltd	18,500,000	10.05
Tan Kang Seng	18,500,000	10.05
Cheng Kok Shin	3,000,000	1.63
Ko Chuan Aun	3,000,000	1.63
Lee Boon Leng	3,000,000	1.63
Goh Bak Heng	1,835,000	1.00
Yong Hsi Len	550,000	0.30
Yiek Lay Yong	100,000	0.05
Total	**48,485,000**	**26.33**

Pursuant to the terms of his/its Shareholder Undertaking, each Undertaking Shareholder shall, *inter alia*, vote and/or procure the exercise of the voting rights of, all of the Shares or securities in the capital of the Company which such Undertaking Shareholder may hold or control on or after the date of that Shareholder Undertaking to approve the Proposed Acquisition, and any other matter necessary or proposed to implement the Proposed Acquisition at the EGM held to approve the Proposed Acquisition (or any adjournment thereof) as contemplated in the Acquisition Agreements.

3. THE PROPOSED SHARE CONSOLIDATION

3.1 Details of the Proposed Share Consolidation

The Company proposes to undertake the Proposed Share Consolidation pursuant to which the Company will consolidate every 2 existing Shares into 1 Consolidated Share.

Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of the existing Shares as at the Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of Consolidated Shares arising from the Proposed Share Consolidation will be disregarded. Fractions of a Consolidated Share arising from the Proposed Share Consolidation may be dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company including aggregating and selling the same and retaining the net proceeds for the benefit of the Company. For illustrative purposes, if a Shareholder holds 1,001 Shares as at the Books Closure Date, following the Proposed Share Consolidation and rounding down to the nearest whole Consolidated Share and disregarding any fractions of Consolidated Shares arising from the Proposed Share Consolidation, the Shareholder will be entitled to 500 Consolidated Shares.

Each Consolidated Share shall rank *pari passu* in all respects with the then existing Shares and with each other, and will be traded in board lots of 1,000 Consolidated Shares. As at the Latest Practicable Date, the issued and paid-up share capital of the Company is S$18,396,087, comprising 184,168,117 Shares. Accordingly, immediately after the Proposed Share Consolidation, the issued and paid-up share capital of the Company will be S$18,396,087, comprising 92,084,058 Consolidated Shares.

The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the Shareholders' funds of the Scorpio Group. Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation. Subject to Shareholders' approval being obtained for the Proposed Share Consolidation at the EGM, Shareholders' holding of the Consolidated Shares arising from the Proposed Share Consolidation will be ascertained on the Books Closure Date.

3.2 Rationale for the Proposed Share Consolidation

As at the Latest Practicable Date, the last done trading price of the Shares was S$0.16. Pursuant to the Catalist Rules, the issue price of shares offered for a subscription or sale for which a listing is sought, is required to be at least S$0.20 each ("**Minimum Issue Price**"). On 1 February 2008, the SGX-ST issued a guidance note to state that the Minimum Issue Price for initial public offerings should also apply to reverse takeovers. The Catalist Rules also state that where the consideration for the acquisition of assets by the issuer is to be satisfied by the issue of shares, the price per share of the issuer after adjusting for any share consolidation must not be lower than S$0.20.

3.3 Conditions

The implementation of the Proposed Share Consolidation is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

An announcement will be made by the Company to notify Shareholders of the Effective Trading Date as well as the Books Closure Date in due course.

3.4 Administrative Procedures

(a) **Updating of Register of Members and Depository Register**

After Shareholders' approval has been obtained for the Proposed Share Consolidation at the EGM to be convened, the Shareholders' entitlements of the Consolidated Shares will be determined on the Books Closure Date, whereupon the Register of Members and the Depository Register will be updated to reflect the number of Consolidated Shares held by Shareholders based on their shareholdings in the Company as at the Books Closure Date.

(b) **Deposit of Share Certificates with CDP**

Shareholders who hold old physical share certificates for the existing Shares ("**Old Share Certificates**") in their own names and who wish to deposit the same with CDP and have their Consolidated Shares credited to their Securities Accounts maintained with CDP must deposit their Old Share Certificates, together with the duly executed instruments of transfer in favour of CDP, no later than 12 Market Days before the Books Closure Date.

After the Books Closure Date, CDP will only accept for deposit share certificates for Consolidated Shares ("**New Share Certificates**"). Shareholders who wish to deposit their New Share Certificates with CDP after the Books Closure Date must first deliver their Old Share Certificates to the Share Registrar of the Company, Tricor Barbinder Share Registration Services, at 80 Robinson Road, #02-00, Singapore 068898 for cancellation and issue of New Share Certificates in replacement thereof as described below.

(c) **Issue of New Share Certificates**

Shareholders who have deposited their Old Share Certificates with CDP at least 12 Market Days prior to the Books Closure Date need not take any action. The Company will arrange with CDP to facilitate the exchange of New Share Certificates pursuant to the Proposed Share Consolidation.

Shareholders who have not deposited their Old Share Certificates as aforesaid or who do not wish to deposit their Old Share Certificates with CDP are advised to forward all their Old Share Certificates to the Share Registrar, as soon as possible after they have been notified of the Books Closure Date for cancellation and exchange for New Share Certificates. No receipt will be issued by the Share Registrar for the receipt of the Old Share Certificates. The New Share Certificates will be sent by ordinary mail to the registered addresses of the Shareholders at their own risk within 10 Market Days from the Books Closure Date or the date of receipt of the Old Share Certificates, whichever is later.

Shareholders should note that New Share Certificates will not be issued to Shareholders unless their Old Share Certificates have been tendered to the Share Registrar for cancellation.

Shareholders should notify the Share Registrar if they have lost any of their existing Old Share Certificates or if there is any change in their addresses from that reflected in the Register of Members.

Shareholders are to deliver their respective Old Share Certificates to the Share Registrar or CDP in accordance with the provisions set out above only after the announcement of the Books Closure Date by the Company.

(d) **Share Certificates not valid for settlement of trades on the SGX-ST**

Shareholders who hold physical share certificates are reminded that their Old Share Certificates will not be valid for settlement of trading in the Consolidated Shares on the SGX-ST (as the Company is under a book-entry (scripless) settlement system). The Old Share Certificates will continue to be accepted for cancellation by the Share Registrar and issuance of New Share Certificates in replacement thereof for an indefinite period. The New Share Certificates will not be valid for delivery for trades done on the SGX-ST, though they will continue to be *prima facie* evidence of legal title.

(e) **Trading arrangements for the Consolidated Shares and odd lots**

Subject to the approval of the Shareholders for the Proposed Share Consolidation at the EGM, with effect from 9.00 a.m. on the Effective Trading Date, trading in the Shares will be in board lots of 1,000 Consolidated Shares. Accordingly, 2 existing Shares as at 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date will represent 1 Consolidated Share with effect from 9.00 a.m. on the Effective Trading Date. Trading in the existing Shares will cease after 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date.

The Shares are currently traded in board lots of 1,000 Shares in the ready market. Following the Proposed Share Consolidation, the Securities Accounts of Depositors may be credited with odd lots of Consolidated Shares (that is, lots other than board lots of 1,000 Consolidated Shares). The market for trading of such odd lots of Consolidated Shares may be illiquid. Depositors who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade such odd lots of Consolidated Shares on the SGX-ST should note that odd lots of Consolidated Shares can be traded on the unit share market which, following the Proposed Share Consolidation, would allow trading in odd lots with a minimum size of 1 Consolidated Share.

4. THE PROPOSED WHITEWASH RESOLUTION

4.1 General offer requirement under the Code

Pursuant to Rule 14.1 of the Code, where (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carrying 30% or more of the voting rights of the Company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights of the Company, and such person, or any person acting in concert with him, acquires in any 6 months additional shares carrying more than 1% of the voting rights, such person and his concert parties will be required to make a mandatory general offer for all the Shares in the Company not held by them.

As at the Latest Practicable Date, the Concert Parties Group does not hold any shares or instruments convertible into, rights to subscribe for and options in respect of any shares in the Company.

Upon completion of the allotment and issue of the Consideration Shares pursuant to the Proposed Acquisition, the Vendors will hold 714,285,714 Consolidated Shares, representing approximately 88.58% of the Enlarged Share Capital. In such event, the Vendors will be required under the Code to make a mandatory general offer for the Shares not already held by them pursuant to Rule 14.1 of the Code unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

Completion shall be conditional upon, *inter alia*:

(a) the grant by the SIC of the SIC Waiver; and

(b) the approval of the majority of the Independent Shareholders being obtained at the EGM for the Proposed Whitewash Resolution.

4.2 SIC Waiver

The SIC had, on 25 February 2014, exempted KOPG and the parties acting in concert with KOPG, namely Ong Chih Ching, Leny Suparman, Ong Siew Ting, Geraldine, Jin Lu and Low Kheng Hong @ Lau Kheng Hong (collectively, the "**Concert Parties Group**") from the requirement under

Rule 14 of the Code to make a mandatory offer for shares in the Company not already owned or controlled by the Concert Parties Group, as a result of the allotment and issue of the KOPG Consideration Shares by the Company to KOPG, subject to, *inter alia*, the following conditions ("**SIC Conditions**"):

(a) a majority of holders of voting rights of the Company approve at a general meeting, before Completion, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a general offer from KOPG and the parties acting in concert with it, as a result of the allotment and issue of the KOPG Consideration Shares by the Company to KOPG;

(b) the Proposed Whitewash Resolution is separate from other resolutions;

(c) KOPG and its concert parties as well as parties not independent of them, abstain from voting on the Proposed Whitewash Resolution;

(d) KOPG and its concert parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of the Shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):

  (i) during the period between the announcement of the Proposed Acquisition and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

  (ii) in the 6 months prior to the announcement of the Proposed Acquisition, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to such issue;

(e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Proposed Whitewash Resolution;

(f) the Company sets out clearly in the Circular:

  (i) details of the Proposed Acquisition;

  (ii) the dilution effect to existing holders of voting rights upon Completion;

  (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares held by KOPG and its concert parties as at the Latest Practicable Date;

  (iv) the number and percentage of voting rights to be acquired by KOPG and its concert parties upon Completion;

  (v) specific and prominent reference to the fact that the Proposed Acquisition could result in KOPG and its concert parties holding shares carrying over 49% of the voting rights of the Company, and the fact that KOPG will as a result be free to acquire further shares without incurring any obligation under Rule 14 of the Code to make a general offer;

  (vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from KOPG and its concert parties at the highest price paid by KOPG and its concert parties for the Company's shares in the past 6 months preceding the commencement of the offer;

  (vii) specific and prominent reference to the fact that Shareholders by voting for the Proposed Whitewash Resolution, could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the issue of new Shares in the Company to satisfy the Proposed Acquisition;

(g) the Circular states that the waiver granted by the SIC to KOPG and its concert parties from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at Section 4.2(a) to (d) above;

(h) KOPG and its concert parties obtain the SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution;

(i) to rely on the Proposed Whitewash Resolution, the Proposed Acquisition must be completed within 3 months of the approval of the Proposed Whitewash Resolution; and

(j) the Concert Parties Group provides a written undertaking to the SIC on Section 4.2(d) above.

The SIC had also ruled that Ang Yew Lai, Han Seng Juan, Ong Phang Hoo, Cho Kim Wing, Te Kok Chiew and Wang Xuan (collectively, the "**Relevant Individual Vendors**") will not be regarded as parties acting in concert with the Concert Parties Group with respect to the Company. However, the SIC had also ruled that the Relevant Individual Vendors should abstain from voting on the Proposed Whitewash Resolution.

4.3 The Proposed Whitewash Resolution

Independent Shareholders are requested to vote on a poll on the Proposed Whitewash Resolution set out as an ordinary resolution in the Notice of EGM.

Shareholders should note that:

(a) **approval of the Proposed Whitewash Resolution is a condition precedent to Completion. If Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place;**

(b) **the Proposed Acquisition could result in KOPG and its concert parties holding Shares carrying over 49% of the voting rights of the Company, and the fact that KOPG will as a result be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer;**

(c) **by voting in favour of the Proposed Whitewash Resolution, Shareholders are waiving their rights to a general offer from KOPG and its concert parties at the highest price paid by KOPG and its concert parties for the Shares in the past 6 months preceding the commencement of the offer; and**

(d) **by voting for the Proposed Whitewash Resolution, the Shareholders could be foregoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the issue of new Shares to satisfy the Proposed Acquisition.**

4.4 Advice of the Independent Financial Adviser

Asian Corporate Advisors has been appointed as the independent financial adviser to the Independent Directors in relation to the Proposed Whitewash Resolution.

The letter from the IFA to the Independent Directors containing their advice is set out in **Appendix C** to this Circular. **Shareholders are advised to read the copy of the IFA Letter in its entirety.** Section 7 of the IFA Letter has been extracted and reproduced below in italics. Unless otherwise defined in the IFA Letter, all terms and expressions used in the extract below shall bear the same meanings as defined in the Circular and in the IFA Letter.

*" 7. **OPINION AND RECOMMENDATION***

In arriving at our recommendation, we have reviewed and examined all factors which we have considered to be pertinent in our assessment of the Proposed Whitewash Resolution, including the views of and representations by the Directors and the Target Directors. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position of the Company or the Group or the Target Company or Target Group or the Enlarged Group after completion of the Proposed Transactions or whether the Target Group or the Enlarged Group can improve their profitability or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the ability of the Target Group to service its borrowings (both principal and interest payment) when due or the prices at which the Shares would trade after the completion of the Proposed Transactions. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) The rationale for the Proposed Acquisition and we note from Section 2.1 of the Circular that, inter alia, the Directors believes that the Proposed Acquisition would provide the Company with a new business, which subject to and upon Completion, would enable the Company to enhance the value of Shareholders' equity interests in the Company, while allowing Shareholders to have the benefit of holding shares in the Company's expanded business. The Directors are of the view that the Proposed Acquisition is in the best interest of the Company.

(b) The historical financial performance and financial position of the Group appear to be weaker than the Scorpio's Selected Comparable Companies. The Group has been in the loss making position with the significant dwindling in its core activities since FY2010.

(c) The qualified opinion and emphasis of matter as stated in the Independent Auditors' Report for FY2013 for the Scorpio Group.

(d) The evaluation of the Issue Price or the Adjusted Issue Price (as set out in Section 5 of this Letter) after taking into account, inter alia, the following factors:

(i) The Adjusted Issue Price represents a premium of approximately 79.3% and 93.7% over the Group's NAV per Share and NTA per Share as at 31 October 2013 respectively. In addition, the Adjusted Issue Price less cash and cash equivalents per Share represents a premium of approximately 100.0% and 120.7% over the Group's NAV per Share less cash and cash equivalents per Share and NTA per Share less cash and cash equivalents per Share, respectively.

(ii) The Adjusted Issue Price represents a premium of approximately 7.1% and 12.1% over the Revalued NAV per Share of approximately S$0.098 and the Revalued NTA per Share of approximately S$0.094 respectively (based on the issued Share capital of 184,168,117 Shares as at the Latest Practicable Date).

(iii) The Adjusted Issue Price represents a premium of 15.4% over the last transacted price of S$0.091 for each Share on the Catalist on 26 August 2013, being the MOU Announcement Date. This premium is within the range and higher than the simple average and median of premium/discount of the issue price to the last transacted price prior to the announcement for the Selected RTO Transactions.

(iv) The Adjusted Issue Price represents a premium of approximately 17.8%, 14.5%, 14.6% and 15.3% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1 month period prior to the MOU Announcement Date respectively.

(v) The Adjusted Issue Price represents a discount of approximately 30.0% from the last transacted price of S$0.15 for each Share on the Catalist on 27 November 2013, being the Trading Day immediately preceding the Announcement Date.

(vi) The Adjusted Issue Price represents a discount of approximately (33.6)% from the VWCP for the Shares for the period commencing from the Market Day immediately after the MOU Announcement Date and ending on the Latest Practicable Date.

(vii) The Adjusted Issue Price represents a discount of approximately (35.6)% from the last transacted price of S$0.163 for each Share on the Catalist on 12 March 2014, being the last Trading Day immediately preceding the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

(viii) The valuation of the Scorpio Group in terms of EV/EBITDA (as implied by the Adjusted Issue Price) is more favourable than any of the Scorpio's Selected Comparable Companies.

(ix) The valuation of the Scorpio Group in terms of P/NAV and P/NTA (as implied by the Adjusted Issue Price, the Revalued NAV and the Revalued NTA) is lower than the simple average and median for the Scorpio's Selected Comparable Companies. Independent Shareholders should note that the lower valuation of the Scorpio Group in terms of P/NAV and P/NTA described above should be assessed in conjunction with the fact that the Scorpio Group's relatively weaker financial performance (in terms of ROE, net profit margin and the fact that the Scorpio Group has been in the loss making position since with significant dwindling in its core activities since FY2010) and financial position (in terms of gearing and leverage) as compared to the Scorpio's Selected Comparable Companies.

(x) The Adjusted Issue Price is higher than the May 2013 Placement Price and the August 2012 Placement Price. Likewise, the valuation of the Scorpio Group as implied by the Adjusted Issue Price in terms of P/NAV and P/NTA ratios are higher than the valuation implied by the May 2013 Placement Price and the August 2012 Placement Price.

(e) The historical financial performance and financial position for the Target Group are generally weaker than the Target's Selected Comparable Companies. The Target Group recorded profit after tax attributable to the equity holders of approximately S$1.4 million in TFY2013, which is significantly lower than the profit after tax attributable to the equity holders of approximately S$8.6 million and S$16.3 million in TFY2012 and TFY2011 respectively. In addition, the Target Group recorded profit after tax attributable to the equity holders of approximately S$123.7 thousand in THY2014, which is approximately 8.9% of the profit after tax attributable to the equity holders in TFY2013. In addition, as set out in Section 5.2.3 of this Letter, the Target Group's EBITDA and net cash generated from operating activities for THY2014 are approximately S$1.8 million and S$1.5 million. Meanwhile, the Target Group's interest paid during THY2014 is approximately S$1.5 million and current portion of borrowings amounted to approximately S$6.7 million as at 30 September 2013. In view of the above, the Target Group may have difficulties in servicing its current portion of borrowings and its interest.

(f) The representation and confirmation from the Target Directors and Target Management that the Target Group will be able to service its current portion of borrowings and its interest in view of the Proposed Placement and the proceeds or profit from future sales of its property development as well as from the hospitality business. Independent Shareholders should note that as at the Latest Practicable Date, no definitive placement agreement has been entered into and that the terms of the Proposed Placement, as well as the timing of the Proposed Placement, if and when it occurs, would depend on various factors such as market conditions. Independent Shareholders should also note that the Target Group's ability to service its current portion of borrowings and its interest will be dependent on, inter alia, its ability to sell the units under its property development at a profit as well as the profitability of its hospitality business.

(g) The KOPG's Undertaking and Confirmation and the KOPP's Undertaking and Confirmation (as set out in Section 5.2.3 of this Letter) in relation to, inter alia, the amount owing by the Target Group to KOPG and KOPG's group of subsidiaries, the Target Group's compliance

with loan covenants from all its lenders as at 27 March 2014 and for the next 12 months, and the working capital adequacy of the Target Group for the next 12 months. In addition, the Directors and the Target Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows to be generated from the Enlarged Group's operations, the existing cash and cash equivalents and the expected proceeds from the Proposed Placement, the working capital available to the Enlarged Group is sufficient for present requirements and for at least 12 months after the Completion of the Proposed Acquisition and the payment of interest and principal due.

(h) The evaluation of the Consideration (as set out in Section 5 of this Letter) after taking into account, inter alia, the following factors:

(i) The fair market value of the Target Group as at 30 September 2013 is in the range of S$166.5 million to S$178.2 million (based on the Independent Valuation Report), which is higher than the Consideration.

(ii) The Consideration represents a premium of approximately 394.3% over both the Target Group's NAV and the Target Group's NTA as at 30 September 2013 respectively. While on the revalued basis, we note that the Consideration represents a premium of approximately 3.4% over both the Target Group's Revalued NAV and the Target Group's Revalued NTA.

(iii) The valuation of the Target Group as implied by the Consideration (in terms of PER and EV/EBITDA) is higher than any of the Target's Selected Comparable Companies. Meanwhile, the valuation of the Target Group in terms of P/NTA and P/NAV, as implied by the Consideration and the Target Group's Revalued NAV and NTA, is within the range for the Target's Selected Comparable Companies, but higher than the simple average for the Target's Singapore Comparable Companies. Independent Shareholders should note that the above valuation multiples should be assessed in conjunction with the fact that the Target Group's hospitality business only commenced in TFY2013 and as at the Latest Practicable Date, it is still in the midst of undertaking assets enhancement works for Montigo Resorts, Seminyak (expected to be completed in 2016) and construction of phase 3 for Montigo Resorts, Nongsa (expected to be completed in 2016). We understand from the Target Directors that such assets enhancement work and construction works are capital intensive in nature and therefore, the Target Group's gearing profile and historical performance may be different from the Target's Selected Comparable Companies whose hospitality business and assets have already been established and in operation. It is generally accepted that the P/NTA valuation for companies whose assets are still being developed or constructed should be lower than companies whose assets have already been established and in operation.

(iv) The Consideration/Target Group's Revalued NTA ratio of approximately 1.0 time for the Proposed Acquisition is within the range and lower (or more favourable) than the simple average and median for the Selected RTO Transactions of approximately 3.1 times and 2.5 times respectively.

(i) The potential financial effects of the Proposed Acquisition as outlined in Section 7 of the Circular. The Proposed Acquisition will lead to a lower NTA per Share but higher EPS for the Group (based on the FY2013 and TFY2013 figures for the Group and the Target Group respectively) or reduction in the Group's loss per Share (based on the HY2014 and THY2014 figures for the Group and the Target Group respectively). Notwithstanding that the Proposed Acquisition will lead to a lower NTA per Share for the Group, the Directors believe the Proposed Acquisition would provide the Company with a new business, which subject to and upon Completion, would enable the Company to enhance the value of Shareholders' equity interests in the Company, while allowing Shareholders to have the benefit of holding shares in the Company's expanded business. The Directors consider the Proposed Acquisition to be in the interest of and beneficial to the Group.

(j) The dilution of Independent Shareholders' existing interest and the significant reduction in their voting interest in the Company pursuant to the Proposed Acquisition, which, inter alia, is the result of issuance of the Consideration Shares. It is further noted from Section 5.7 of this Letter that the number of Consideration Shares to be issued pursuant to the Proposed Acquisition as a percentage of the Post Consolidation Share Capital is approximately 775.7%, which is within the range and lower than the simple average and median for the Selected RTO Transactions.

(k) The risk factors and the Shareholders Undertakings as set out in Appendix E of the Circular respectively.

(l) The Directors' confirmation that as at the Latest Practicable Date, they are not aware of any alternative investment or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition. In addition, the Directors have represented the Proposed Acquisition is synergistic and will give the Company an opportunity to further grow its existing business in the areas of entertainment business.

(m) The Proposed Acquisition and the Proposed Whitewash Resolution are inter-conditional on each other. Accordingly if the Proposed Whitewash Resolution is not passed by a majority of the Independent Shareholders, the Proposed Acquisition will not take place.

(n) No profit warranty has been provided by any party with respect to the future performance of the Target Group in connection with the Proposed Acquisition or the Proposed Transactions (where applicable). There can be no assurance that the Target Group will be able to maintain or improve its profitability in the long-term.

(o) Such other relevant considerations as set out in Section 6 or elsewhere in this Letter.

Having considered all of the above, subject to the qualifications and assumptions set out in this Letter including but not limited to the uncertainties, the Scorpio Group's weak financial performance and position, and in the context of the Scorpio Group's present circumstances including its dwindling core business, the matters stated in the Independent Auditors' Report for FY2013, the Target Group's relatively short operating history within the hospitality business (which only commenced in TFY2013 and the assets development or enhancement is still in progress as at the Latest Practicable Date) with minimum profit recorded in TFY2013 and THY2014 and weak financial positions (in terms of debt servicing coverage ratio and gearing ratio), the breach or potential breach of loan covenant, the relatively higher pricing for the Target Group (as implied by the Consideration) in terms of P/NTA as compared to the Target's Singapore Comparable Companies, which we have viewed collectively with the premium of the Adjusted Issue Price over the historical market prices for the Shares, the relatively fair valuation of the Scorpio Group in terms of P/NAV and P/NTA (as implied by the Adjusted Issue Price and the Group's Revalued NAV and NTA) as compared to the Scorpio's Selected Comparable Companies taking into account the Scorpio Group's weaker financial position and performance (in terms of ROE, net profit margin and the fact that the Scorpio Group has been in the loss making position since FY2010), the favourable comparison of the Adjusted Issue Price against the placement price for the recent two placement exercises conducted by the Group, the fair market value of the Target Group of between S$166.5 million to S$178.2 million as ascribed by the Independent Valuer, the favourable comparison of the Proposed Acquisition against the Selected RTO Transactions (in terms of dilution, premium of the Issue Price over the historical market price, and pricing for the Target Group), and the KOPG's Undertaking and Confirmation and the KOPP's Undertaking and Confirmation (in relation to, inter alia, the amount owing by the Target Group to KOPG and KOPG's group of subsidiaries, the Target Group's compliance with loan covenants from all its lenders as at 27 March 2014 and for the next 12 months and the working capital adequacy of the Target Group for the next 12 months); the proceeds from the Proposed Placement will be subject and used for the repayment of principal and interest due the next 12 months, as well as the opinion of the Directors and the Target Directors, after having made due and careful enquiry and after taking into account the cash flows to be generated from the Enlarged Group's operations, the existing cash and cash equivalents and the expected proceeds from the Proposed Placement, the working capital available to the Enlarged

Group is sufficient for present requirements and for at least 12 months after the Completion of the Proposed Acquisition and payment of interest and principal due, we are of the opinion that based on the information available to us as at the Latest Practicable Date, the Proposed Whitewash Resolution ***is not prejudicial*** *to the interest of the Company and the Independent Shareholders.*

The valuation of the Target Group, as implied by the Consideration, appears to be on the high side when considered in the context of the relatively higher pricing of the Target Group (in terms of P/NAV and P/NTA as implied by the Consideration and the Target Group's Revalued NAV or NTA) as compared to the Target's Singapore Comparable Companies after taking into consideration the Target Group's relatively short operating track record within the hospitality business, weaker financial position and the minimum profit recorded in TFY2013 and THY2014, as well as its unlisted status. Despite the relatively higher pricing of the Target Group, we are of the opinion that based on the information available to us as at the Latest Practicable Date, the financial terms of the Proposed Acquisition is, ***on balance reasonable****, taking into account the Scorpio Group's weak financial performance (loss making since FY2010) and position as well as its present circumstances including the matters stated in the Independent Auditors' Report for FY2013, the fair market value of the Target Group of between S$166.5 million to S$178.2 million as ascribed by the Independent Valuer, the relatively fair valuation of the Scorpio Group in terms of P/NAV and P/NTA (as implied by the Adjusted Issue Price and the Group's Revalued NAV and NTA) as compared to the Scorpio's Selected Comparable Companies, the premium of the Adjusted Issue Price over the historical market prices, as well as the Directors' confirmation that as at the Latest Practicable Date, they are not aware of any alternative investment or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition.*

RECOMMENDATION

Accordingly, we advise the Independent Directors to recommend that Independent Shareholders vote ***in favour of*** *the Proposed Whitewash Resolution to be proposed at the EGM, and to highlight to Independent Shareholders the matters as stated in our Letter and to exercise caution in their decision in relation to the resolutions for the Proposed Whitewash Resolution.*

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group or the Target Company or the Target Group or the Enlarged Company. The opinion set forth herein is based solely on publicly available information and information provided by the Directors, Management, Target Directors and Target Management and therefore does not reflect any projections or future financial performance of the Company or the Group or the Target Company or the Target Group or the Enlarged Group after the completion of the Proposed Transactions and is based on the economic and market conditions prevailing as of the Latest Practicable Date. Our advice is solely confined to our views on the Proposed Whitewash Resolution.

MATTERS TO HIGHLIGHT

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

1. *In performing our evaluation, we have not been provided with, and have not had access to, any financial projections of board memorandum or future plans or corporate actions (if any) of the Company or the Group or the Target Company or the Target Group or the Enlarged Company. Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the financial statements for HY2014 for the Group and the financial statement for THY2014 for the Target Group.*

   The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Target Company or the Target Group or the Enlarged Group after the completion of the transactions stipulated in the Circular or the possibility *or probability that the Group or the Target Group or the Enlarged Group can improve their profitability or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the ability of the Target Group to service its borrowings (both principal and interest payment) when fall due or the adequacy of the working capital of the Group, the Target Group or the Enlarged Group or the fairness of the prices at which the Placement Shares may be issued pursuant to the Proposed Placement as well as the sufficient of the proceeds for interest repayment of loans and its operating activities.*

In addition to the KOPG's Undertaking and Confirmation and the KOPP's Undertaking and Confirmation (in relation to, inter alia, the amount owing by the Target Group to KOPG and KOPG's group of subsidiaries, the Target Group's compliance with loan covenants from all its lenders as at 27 March 2014 and for the next 12 months and the working capital adequacy of the Target Group for the next 12 months), the Target Directors and Target Management have represented to us that they are confident that the Target Group will be able to service its current portion of borrowings and its interest in view of the Proposed Placement and the proceeds or profit from future sales of its property development as well as from the hospitality business.

The Directors and the Target Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows to be generated from the Enlarged Group's operations, the existing cash and cash equivalents and the expected proceeds from the Proposed Placement, the working capital available to the Enlarged Group is sufficient for present requirements and for at least 12 months after the Completion of the Proposed Acquisition and the payment of interest and principal when due.

2. *Despite the Target Directors' representation and confirmation on the Target Group's ability to service its current portion of borrowing and its interest, Independent Shareholders should note that as at the Latest Practicable Date, no definitive placement agreement has been entered into and that the terms of the Proposed Placement, as well as the timing of the Proposed Placement, if and when it occurs, would depend on various factors such as market conditions. There is no assurance that the Proposed Placement will be conducted at a price above the Issue Price. Independent Shareholders should also note that the Target Group's ability to service its current portion of borrowings and its interest will be dependent on, inter alia, its ability to sell the units under its property development at a profit as well as the profitability of its hospitality business. We wish to highlight that no profit warranty has been provided by any party with respect to the future performance of the Target Group in connection with the Proposed Acquisition. Thus there can be no assurance that the Target Group will be able to maintain or improve its profitability or profit after tax.*

3. ***Shareholders should note that:***

   a. ***approval of the Proposed Whitewash Resolution is a condition precedent to Completion. If Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place;***

   b. ***the Proposed Acquisition could result in KOPG and its concert parties holding Shares carrying over 49% of the voting rights of the Company, and the fact that KOPG will as a result be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer;***

   c. ***by voting in favour of the Proposed Whitewash Resolution, Shareholders are waiving their rights to a general offer from KOPG and its concert parties at the highest price paid or agreed to be paid by KOPG and its concert parties for the Shares in the past 6 months preceding the commencement of the offer; and***

   d. ***by voting for the Proposed Whitewash Resolution, they could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the issue of new Shares to satisfy the Proposed Acquisition.***

Specific objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Independent Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments in unlisted shares or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately."

5. THE PROPOSED CHANGE OF NAME

In view of the Proposed Acquisition, the Company is seeking the approval of the Shareholders to change the name of the Company from "Scorpio East Holdings Ltd." to "KOP Limited" to better reflect the new activities of the Enlarged Group. The change of name of the Company will only take effect after the Completion.

In line with the proposed change of name, the Company also intends to adopt a new logo as shown below:

KOP
LIMITED

Subject to the resolution for the proposed change of Company's name being carried as a special resolution at the EGM, the Company will, on completion of the Proposed Transactions, lodge the requisite proforma notification with the ACRA relating to its change of name. Upon the issue by the ACRA of a certificate on change of name to the Company, the change of name shall become effective.

The Company will issue an announcement to notify Shareholders of the coming into effect of the Company's new name. Shareholders should note that the change of the Company's name does not affect the legal status of the Company. Shareholders should note that notwithstanding the change of the Company's name, the Company will not recall existing share certificates which will continue to be *prima facie* evidence of legal title. No further action would be required on the part of Shareholders.

The new name "KOP Limited" shall be substituted for "Scorpio East Holdings Ltd." whenever the latter name appears in the Company's Memorandum and Articles of Association.

6. THE PROPOSED PLACEMENT

Under Rule 724 of the Catalist Rules, the SGX-ST may suspend trading of the Shares if less than 10.0% of the issued share capital of the Company are held in the hands of the public. The SGX-ST may allow the Company a period of 3 months, or such longer period as the SGX-ST may agree, to raise the percentage of issued share capital of the Company in public hands to at least 10.0%.

In addition, the Company is required to comply with Rule 1015(3)(a) read with Rule 406(1) of the Catalist Rules, where at least 15.0% of the issued share capital of the Company must be held in the hands of at least 200 public Shareholders.

On Completion, the Vendors will own approximately 88.58% of the Enlarged Share Capital and approximately 11.23% of the Enlarged Share Capital will be held in the hands of the public shareholders.

6.1 Terms of Proposed Placement

It is the intention of KOPG and the Company to maintain a public float for the Company and for the Company to comply with the relevant shareholding and distribution requirements of the Catalist Rules. Pursuant to the Acquisition Agreements, each of the Company, KOPG and Ong Chih Ching have agreed that they shall or shall procure that the Company shall undertake the Proposed Placement contemporaneously with or as soon as practicable following Completion. The Company will undertake a placement of up to 80 million Placement Shares (out of which approximately 40 million Placement Shares will be placed for the purpose of complying with the relevant shareholding and distribution requirements of the Catalist Rules) at a minimum placement price of S$0.21 per Placement Share. As at the Latest Practicable Date, the terms of the Proposed Placement, including the number of Placement Shares and the placement price, have yet to be finalised pending the entry by the Company into a definitive placement agreement with Hong Leong Finance, in its capacity as the placement agent, for the Proposed Placement.

The Placement Shares, when issued, will rank *pari passu* in all respects with the then existing Shares, save for any rights, benefits and entitlements on the record date for which is before the date of issue of the Placement Shares.

The approval of Shareholders is sought for the allotment and issue of up to 80 million Placement Shares as well as if the placement price is at a discount of more than 10% to the weighted average price for the trades done on the Catalist for the full Market Day on which the placement agreement is signed pursuant to the Proposed Placement.

Completion of the Proposed Placement is expected to take place after Completion and is expected to take place simultaneously with or after the listing of and quotation of the Consideration Shares. **However, Shareholders should note that the terms of the Proposed Placement, as well as the timing of the Proposed Placement, if and when it occurs, will depend on various factors such as market conditions.**

The listing and quotation notice, if issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions, the Company, the Scorpio Group, the Target Group, the Enlarged Group, the Shares, the Consolidated Shares, the Consideration Shares or the Placement Shares.

6.2 Use of proceeds

The Proposed Directors currently intend to apply the entire net proceeds of the Proposed Placement for general working capital purposes of the Enlarged Group and to fund expansion by way of new development projects, joint ventures, acquisitions, investments and others.

The Company will make periodic announcements as and when the net proceeds from the Proposed Placement are materially disbursed. A status report on the use of such proceeds will also be provided in the Company's annual report.

The following table sets out the breakdown of the use of proceeds and the estimated expenses incurred:[(1)]

		(S$'000)
Use of proceeds		
Fund expansion by way of new development projects, joint ventures, acquisitions, investments and others, including repayment of loans[(2)]		11,950
General working capital		3,000
Net proceeds		**14,950**
Expenses		
(a)	Listing fees	8
(b)	Professional Fees	1,348
(c)	Placement commission and brokerage	450
(d)	Miscellaneous expenses	44
Gross proceeds		**16,800**

Notes:

(1) Assuming that 80 million Placement Shares were issued at the minimum price of S$0.21 per Placement Share.

(2) A portion of the proceeds from the Proposed Placement will be utilised to repay loans from CIMB Niaga and UOB, London Branch.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE PROPOSED SHARE CONSOLIDATION

7.1 Bases and Assumptions

The proforma financial effects of the Proposed Acquisition and the Proposed Share Consolidation are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Scorpio Group following their respective completion. The proforma financial effects of the Proposed Acquisition and the Proposed Share Consolidation on the share capital, earnings and NTA of the Scorpio Group have been prepared based on the audited consolidated financial statements of the Scorpio Group for the financial year ended 30 April 2013 and the audited consolidated financial statements of the Target Group for FY2013. For the purpose of illustrating the financial effects, no re-alignment of the accounting standards and year end has been performed.

For the purposes of illustrating the financial effects of the Proposed Acquisition and the Proposed Share Consolidation, the financial effects have been prepared based on, *inter alia*, the following basis and assumptions:

(a) the financial effects of the Proposed Acquisition on the earnings and the earnings per share of the Scorpio Group for the financial year ended 30 April 2013 are computed assuming that the Proposed Acquisition is completed on 1 May 2012;

(b) the financial effects of the Proposed Acquisition on the NTA of the Scorpio Group as at 30 April 2013 are computed assuming that the Proposed Acquisition is completed on 30 April 2013;

(c) the Proposed Share Consolidation is deemed completed;

(d) the analysis not taking into account the financial effects of the Proposed Placement;

(e) the financial effects do not take into account any transactions completed by the Scorpio Group subsequent to 30 April 2013;

(f) the fair value adjustments on the net assets of the Scorpio Group and positive or negative goodwill arising from the Proposed Acquisition, if any, have not been considered except for the fair valuation of property classified in property, plant and equipment based on the independent valuation report dated 31 December 2013, and will be determined on the Completion Date when the Vendors have effectively obtained control of the Company. As the final goodwill will have to be determined at Completion, the actual goodwill could be materially different from the aforementioned assumption. Any goodwill arising thereon from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Company; and

(g) based on the above assumptions, and assuming the Consideration of S$150 million, an aggregate of 714,285,714 Consideration Shares were issued at the issue price of S$0.21 per Consolidated Share on 30 April 2013 for the purpose of calculating the financial effects of the Proposed Acquisition on the NTA per share of the Scorpio Group and on 1 May 2012 for the purpose of calculating the financial effects of the Proposed Acquisition on the earnings per share of the Scorpio Group.

7.2 Effects on issued and paid-up share capital of the Company

The financial effects of the Proposed Acquisition on the issued share capital of the Company as at 30 April 2013 are as follows:

	Number of Shares	**S$**
Share capital as 30 April 2013	150,168,117	16,186,087
After the Proposed Share Consolidation	75,084,058	16,186,087
Add: Issue of the Consideration Shares	714,285,714	150,000,000
Share capital of the Company after issue of the Consideration Shares	789,369,772	166,186,087

7.3 Financial effects on (loss)/ earnings

	Before the Proposed Acquisition and Proposed Share Consolidation	**After the Proposed Acquisition and Proposed Share Consolidation**
Loss attributable to Shareholders for the financial year ended 30 April 2013 (S$)	(1,203,329)	(1,203,329)
Effect of Proposed Acquisition	-	1,238,476
Adjusted profit attributable to Shareholders	-	35,147
Number of Shares	140,647,569[(1)]	784,609,498
(Loss)/ Earnings per Share (cents)	(0.86)	0.004

Note:

(1) This is based on the weighted average number of the Shares in issue during the financial year ended 30 April 2013.

7.4 Effects on the NTA of the Scorpio Group

	Before the Proposed Acquisition and Proposed Share Consolidation	**After the Proposed Acquisition and Proposed Share Consolidation**
NTA of the Group as at 30 April 2013 (S$)	10,541,354	10,541,354
Effect of Proposed Acquisition	-	34,529,048
Adjusted NTA	10,541,354	45,070,402
Number of Shares	150,168,117	789,369,772
NTA per Share (cents)	7.02	5.71

7.5 Proposed change of financial year end

The Company's current financial year end falls on 30 April of each year, whereas the Target Company's financial year end falls on 31 March of each year. The Company intends to change its financial year end from 30 April to 31 March so as to coincide its financial year end with that of the Target Company after completion of the Proposed Transactions. The change of financial year end is subject to the approval of Shareholders for the Proposed Acquisition and of the new Board, and upon such change, the first financial period of the Enlarged Group will be from 1 May 2014 to 31 March 2015.

8. THE ENLARGED GROUP

8.1 Principal Business

At the date of this Circular, the Company's principal business is that of video distribution, content production, event organisation and investment in property.

Following Completion, the principal business of the Enlarged Group will also include the Target Group's business. Please refer to the Letter for more information on the Target Group and its business.

8.2 Group Structure upon Completion

The details of the group structure of the Enlarged Group assuming Completion as at the Latest Practicable Date are as follows:

Target Group

Please refer to Section B2 of this Circular for the details of the Target Subsidiaries.

Scorpio Group

Name of subsidiary	Date and place of incorporation	Principal activities	Effective equity interest held by the Company on Completion (%)
Scorpio East Entertainment Pte. Ltd.	17 January 1994/ Singapore	Distribution of video programmes for home entertainment	100.0
Scorpio East Multimedia Pte. Ltd.	22 December 2003/ Singapore	Packaging of disk media and distribution of film rights	100.0
Scorpio East Pictures Pte. Ltd.	6 October 2004/ Singapore	Film production investment, provision of producer services, event organiser, acquisition and distribution of film rights	100.0
Scorpio East Pictures Sdn. Bhd.	20 January 2005, Malaysia	Acquisition and distribution of film rights within the territory of Malaysia	51.0
Scorpio East Pictures (H.K.) Limited	5 January 2005, Hong Kong	Dormant	100.0
Scorpio East Leisure Pte. Ltd.	29 June 2007, Singapore	Dormant	100.0
Scorpio East Productions Pte. Ltd.	11 July 2007, Singapore	Event organiser	52.63
Scorpio East Properties Pte. Ltd.	23 July 2007, Singapore	Real estate activities	100.0

8.3 Principal Shareholders

Details of the changes in the shareholding structure of the Company after, *inter alia*, the Proposed Acquisition, the Proposed Share Consolidation and the Proposed Placement are set out in the table below:

	Before the Proposed Acquisition, Proposed Share Consolidation and the Proposed Placement [1]				Immediately after the Proposed Acquisition and Proposed Share Consolidation but before the Proposed Placement				Immediately after the Proposed Acquisition, Proposed Share Consolidation and Proposed Placement [12]			
	Direct		Deemed		Direct		Deemed		Direct		Deemed	
	Number of Shares	% of total issued Shares	Number of Shares	% of total issued Shares	Number of Consolidated Shares	% of total issued Consolidated Shares	Number of Consolidated Shares	% of total issued Consolidated Shares	Number of Consolidated Shares	% of total issued Consolidated Shares	Number of Consolidated Shares	% of total issued Consolidated Shares
Existing Directors												
Dr Ho Kah Leong	-	-	-	-	-	-	-	-	-	-	-	-
Ko Chuan Aun	3,000,000	1.629	-	-	1,500,000	0.186	-	-	1,500,000	0.169	-	-
Yee Kit Hong	-	-	-	-	-	-	-	-	-	-	-	-
Chia Hoo Khun Valery Kelvin	-	-	-	-	-	-	-	-	-	-	-	-
Toh Tian Sze[2]	28,000	0.015	40,422,000	21.948	14,000	0.002	20,211,000	2.506	14,000	0.002	20,211,000	2.280
Substantial Shareholders (other than existing Directors)												
Lian Bee Metal Pte Ltd	40,422,000	21.948	-	-	20,211,000	2.506	-	-	20,211,000	2.280	-	-
Toh Tiau Lai[3]	-	-	40,422,000	21.948	-	-	20,211,000	2.506	-	-	20,211,000	2.280
Ang Sin Liu[4]	2,750,000	1.493	6,576,738	3.571	1,375,000	0.171	3,288,369	0.408	1,375,000	0.155	3,288,369	0.371
Lovell Peak Assets Ltd	18,500,000	10.045	-	-	9,250,000	1.147	-	-	9,250,000	1.044	-	-
Tan Kang Seng[5]	-	-	18,500,000	10.045	-	-	9,250,000	1.147	-	-	9,250,000	1.044
Kang Lee Cheng, Susanna[6]	-	-	10,000,000	5.430	-	-	5,000,000	0.620	-	-	5,000,000	0.564
Teo Kee Bock	15,201,000	8.254	-	-	7,600,500	0.943	-	-	7,600,500	0.857	-	-
Nominees	35,076,738[7]	19.046	-	-	17,538,369	2.175	-	-	17,538,369	1.979	-	-
Proposed Directors (other than existing Directors)												
Ong Chih Ching	-	-	-	-	64,175,715	7.959	428,571,428 [10]	53.148	64,175,715	7.240	428,571,428	48.351
Leny Suparman	-	-	-	-	30,685,714	3.805	428,571,428 [11]	53.148	30,685,714	3.462	428,571,428	48.351
Lee Kiam Hwee Kelvin	-	-	-	-	-	-	-	-	-	-	-	-
Yu-Foo Yee Shoon	-	-	-	-	-	-	-	-	-	-	-	-
Vendors / existing shareholders of Target Company (other than Proposed Directors)												

	Before the Proposed Acquisition, Proposed Share Consolidation and the Proposed Placement [1]				Immediately after the Proposed Acquisition and Proposed Share Consolidation but before the Proposed Placement				Immediately after the Proposed Acquisition, Proposed Share Consolidation and Proposed Placement [12]			
	Direct		Deemed		Direct		Deemed		Direct		Deemed	
	Number of Shares	% of total issued Shares	Number of Shares	% of total issued Shares	Number of Consolidated Shares	% of total issued Consolidated Shares	Number of Consolidated Shares	% of total issued Consolidated Shares	Number of Consolidated Shares	% of total issued Consolidated Shares	Number of Consolidated Shares	% of total issued Consolidated Shares
KOP Group Pte. Ltd.	-	-	-	-	428,571,428	53.148	-	-	428,571,428	48.351	-	-
Ong Siew Ting Geraldine	-	-	-	-	7,000,000	0.868	-	-	7,000,000	0.790	-	-
Jin Lu	-	-	-	-	18,095,238	2.244	-	-	18,095,238	2.041	-	-
Ang Yew Lai	-	-	-	-	12,500,000	1.550	-	-	12,500,000	1.410	-	-
Han Seng Juan	-	-	-	-	18,750,000	2.325	-	-	18,750,000	2.115	-	-
Ong Phang Hoo	-	-	-	-	18,750,000	2.325	-	-	18,750,000	2.115	-	-
Cho Kim Wing	-	-	-	-	12,500,000	1.550	-	-	12,500,000	1.410	-	-
Te Kok Chiew	-	-	-	-	18,750,000	2.325	-	-	18,750,000	2.115	-	-
Low Kheng Hong @ Lau Kheng Hong	-	-	-	-	11,904,762	1.476	-	-	11,904,762	1.343	-	-
Wang Xuan	-	-	-	-	72,602,857	9.004	-	-	72,602,857	8.191	-	-
Sub- total	114,977,738	62.431	-	-	771,774,583	95.709	-	-	771,774,583	87.071	-	-
Other Shareholders	69,190,379[8]	37.569	-	-	34,595,189[9]	4.290	-	-	114,595,190[9]	12.929	-	-
Total	184,168,117	100.000	-	-	806,369,772	100.000	-	-	886,369,772	100.000	-	-

Notes:

(1) As at the Latest Practicable Date, based on the existing 184,168,117 issued Shares.

(2) As at the Latest Practicable Date, Toh Tian Sze is a controlling shareholder of Lian Bee Metal Pte Ltd. Accordingly, he is deemed interested in the 40,422,000 Shares held by Lian Bee Metal Pte Ltd, by virtue of section 7 of the Companies Act.

(3) As at the Latest Practicable Date, Toh Tiau Lai is a controlling shareholder of Lian Bee Metal Pte Ltd. Accordingly, he is deemed interested in 40,422,000 Shares held by Lian Bee Metal Pte Ltd, by virtue of section 7 of the Companies Act.

(4) As at the Latest Practicable Date, Ang Sin Liu is deemed to have an interest in 6,576,738 Shares held through United Overseas Bank Nominees (Private) Limited as Ang Sin Liu's nominee.

(5) As at the Latest Practicable Date, Tan Kang Seng is deemed to have an interest in 18,500,000 Shares held though United Overseas Bank Nominees (Private) Limited as nominee of Tan Kang Seng.

(6) As at the Latest Practicable Date, Kang Lee Cheng, Susanna is deemed to have an interest in 10,000,000 Shares held through DB Nominees (S) Pte Ltd as Kang Lee Cheng, Susanna's nominee.

(7) Includes 6,576,738 Shares held by United Overseas Bank Nominees Pte Ltd as nominee of Ang Sin Liu, 10,000,000 Shares held by DB Nominees (S) Pte Ltd as nominee of Kang Lee Cheng, Susanna and 18,500,000 Shares held by United Overseas Bank Nominees Pte Ltd as nominee of Tan Kang Seng.

(8) Excludes Shares held by the existing Directors, Substantial Shareholders (other than the existing Directors), United Overseas Bank Nominees Pte Ltd as nominee of Ang Sin Liu and Tan Kang Seng, and DB Nominees (S) Pte Ltd as nominee of Kang Lee Cheng, Susanna.

(9) Excludes Shares held by the existing Substantial Shareholders of the Company who will no longer be Substantial Shareholders immediately after the Proposed Acquisition and existing Directors of the Company who will no longer be Directors immediately after the Proposed Acquisition and whose shareholdings shall be included in the calculation of shares held in public hands.

(10) As at the Latest Practicable Date, Ong Chih Ching is a controlling shareholder of KOPG, which in turn has an interest in 428,571,428 Shares. Accordingly, Ong Chih Ching is deemed to have an interest in 428,571,428 Shares held by KOPG by virtue of Section 7 of the Companies Act.

(11) As at the Latest Practicable Date, Leny Suparman is a controlling shareholder of KOPG, which in turn has an interest in 428,571,428 Shares. Accordingly, Leny Suparman is deemed to have an interest in 428,571,428 Shares held by KOPG by virtue of Section 7 of the Companies Act.

(12) Assuming the issuance of 80 million Placement Shares to new investors.

As a result of the Proposed Acquisition, the collective shareholding interests of the Independent Shareholders will be diluted. The Independent Shareholders' aggregate shareholding in the Company could potentially be diluted to approximately 11.23%.

8.4 Moratorium

The Vendors have undertaken to comply with any applicable moratorium requirements imposed by the SGX-ST (including without limitation, such undertakings not to sell, transfer, dispose, realise, deal and/or create any encumbrance over the relevant Consideration Shares for such periods as may be required by Chapter 4 Part IX of the Catalist Rules).

KOPG has undertaken not to, without the prior written consent of Hong Leong Finance (such consent not to be unreasonably withheld), directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of its interests and/or shareholdings in the share capital of the Company immediately after the Proposed Acquisition, for a period of 6 months from the date of the listing of the Consideration Shares and for a period of 6 months thereafter, not to sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of our interests and/or shareholdings in the share capital of the Company to below 50.0% of its shareholdings.

Ong Chih Ching and Leny Suparman have each undertaken not to, without the prior written consent of Hong Leong Finance (such consent not to be unreasonably withheld):

(a) directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of her interests and/or shareholdings in the share capital of KOPG for a period of 12 months from the date of the listing of the Consideration Shares;

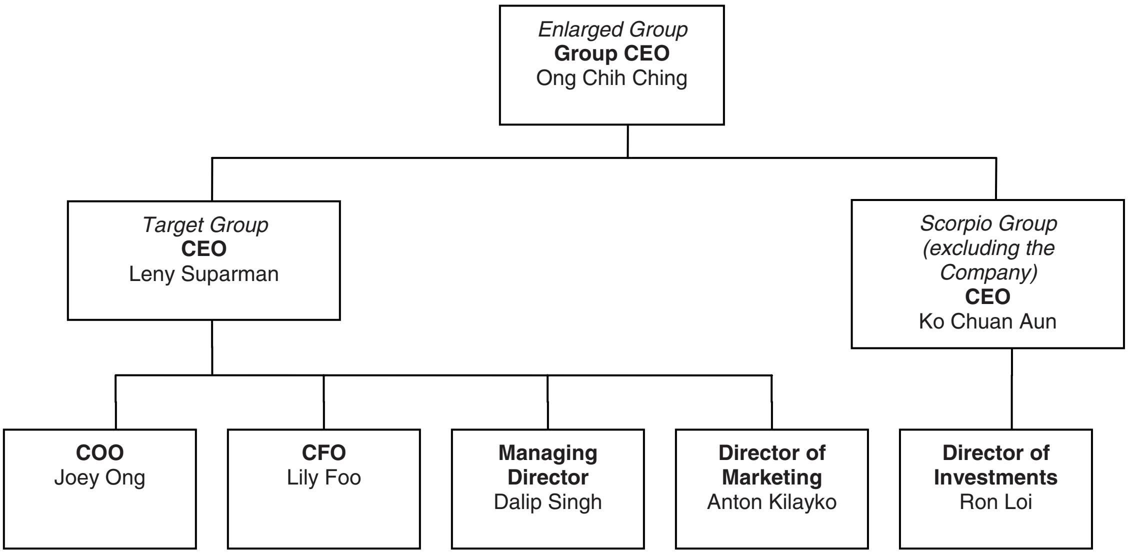
(b) directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of her interests and/or shareholdings in the share capital of the Company immediately after the Proposed Acquisition for a period of 6 months from the date of the listing of the Consideration Shares and for a period of 6 months thereafter, for not more than 50.0% of her interests and/or shareholdings in the share capital of the Company; or

(c) procure KOPG to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of its interests and/or shareholdings in the share capital of the Company immediately after the Proposed Acquisition for a period of 6 months from the date of the listing of the Consideration Shares and for a period of 6 months thereafter, for not more than 50.0% of its interests and/or shareholdings in the share capital of the Company.

The Individual Vendors (other than Ong Chih Ching and Leny Suparman) have each undertaken not to directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of his interests and/or shareholdings in the share capital of the Company immediately after the Proposed Acquisition, for a period of 12 months from the date of the listing of the Consideration Shares.

8.5 Management Reporting Structure

Upon Completion, the Enlarged Group's new management team will be as follows:



8.6 Proposed Directors

The Company proposes to constitute a new Board and appoint a new senior management team following Completion. Save for Dr Ho Kah Leong and Ko Chuan Aun, who will remain as Directors following Completion, all other existing Directors will resign from the Board following Completion. Ong Chih Ching, Leny Suparman, Lee Kiam Hwee Kelvin and Yu-Foo Yee Shoon will be appointed as new Directors to the Board.

As at the Latest Practicable Date, the particulars of the Proposed Directors are set out below:

Name	Age	Address	Proposed Position in the Enlarged Group
Dr Ho Kah Leong	76	c/o 25 Tai Seng Avenue #06-01, Scorpio East Building Singapore 534104	Non-executive Chairman and Independent Director
Ong Chih Ching	44	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	Group CEO and Executive Director
Leny Suparman	39	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	CEO of the Target Group and Executive Director
Ko Chuan Aun	56	c/o 25 Tai Seng Avenue #06-01, Scorpio East Building Singapore 534104	CEO of the Scorpio Group (excluding the Company) and Executive Director
Lee Kiam Hwee Kelvin	58	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	Independent Director
Yu-Foo Yee Shoon	64	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	Independent Director

Qualifications and working experience

The qualification and working experience of each of the Proposed Directors are as follows:

Dr Ho Kah Leong was appointed as an Independent Director of the Company on 28 August 2012. Prior to his appointment as an Independent Director of the Company, he was the Special Adviser to the Board and his role includes providing guidance in respect of the business and corporate governance matters.

Dr Ho Kah Leong is currently a senior consultant at Pioneers & Leaders (Publishers) Pte Ltd and also a director of Vicom Ltd, Fuxing China Group Limited, Ang Mo Kio – Thye Hua Kwan Hospital Ltd., TP Healthcare Ltd. and Pioneers and Leaders (Malaysia) Sdn Bhd. He was the former Senior Parliamentary Secretary to the Minister for the Environment. Upon his retirement from politics in 1997, he was appointed as the Principal of the Nanyang Academy of Fine Arts for 6½ years. He holds a Bachelor of Science degree from Nanyang University and was conferred a PhD in Doctor of Philosophy in Arts by Wisconsin International University, United States of America, in 2001.

Ong Chih Ching is proposed to be appointed as Executive Director of the Company and Group CEO of the Enlarged Group upon the Completion. Ong Chih Ching will be responsible for the strategic planning and development of the Enlarged Group's business, and spearheading the expansion and growth of the Enlarged Group.

Ong Chih Ching is the chairman and founder of the Target Company, and CEO of the Target Group. Prior to establishing the Target Group, Ong Chih Ching worked as a lawyer, specialising in corporate and property law. She was a founding partner of the Singapore law firm, Koh, Ong & Partners, where she specialised in corporate and real estate transactions. To better meet the needs of her client base of high net worth individuals and private and public equity institutions, she co-founded Koh Ong & Partners Management Services Pte Ltd in 1999, providing secretarial, consultancy and corporate management services.

Ong Chih Ching is also the Founder and First Honorary Secretary for the Securities Investors Association (Singapore), an association with one of the largest memberships in the country and which represents investors' interests in listed companies.

Ong Chih Ching graduated with a Bachelor of Laws from the University of Buckingham in 1991. She was admitted as an advocate and solicitor of the Supreme Court of Singapore in 1994.

Leny Suparman is proposed to be appointed as Executive Director of the Company and the CEO of the Target Group upon completion of the Proposed Transactions.

Leny Suparman was a co-founder of KOPG and is presently the CEO of the Target Company. Prior to founding KOPG, Leny Suparman was a Director of Real Estate in KOP Management Services Pte Ltd, where she was responsible for sourcing, executing and closing real estate transactions on behalf of clients. She was previously with a real estate consultancy firm, CB Richard Ellis, for a period of 9 years where she headed the retail department and worked with well-known retail brands in redevelopment projects in Singapore and Shanghai, the PRC.

Leny Suparman obtained a Bachelor of Science in Business from the Indiana University Bloomington, Indiana, United States of America in 1995.

Ko Chuan Aun was appointed as the CEO and Executive Director of the Company on 1 March 2012. He will remain as an Executive Director of the Company following Completion. He will also be appointed as the CEO of the business owned by the Scorpio Group prior to Completion.

Prior to his re-designation as the CEO and Executive Director of the Company, Ko Chuan Aun was an Independent Director of the Company since 15 August 2007. Prior to his appointment as the CEO of the Company, he was the Executive President of International Business Development of Ananda Group of Companies. He has more than 15 years of working experience with the Trade

Development Board of Singapore ("**TDB**") (now known as the International Enterprise Singapore or IE Singapore). His last appointment with TDB was Head of China Operations. In the past 20 years, Ko Chuan Aun has been very actively involved in business investments in the PRC market. In 2001, he was appointed as the Steering Committee Member of the Network China. Between 2003 to 2005, he served as the Chairman of the Tourism Sub-Committee under the Singapore-Sichuan Trade & Investment Committee. He currently holds positions as an Independent Non-Executive Director of Super Group Ltd, San Teh Ltd, Koon Holdings Ltd and KSH Holdings Limited. Ko Chuan Aun holds a Diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Program.

Kelvin Lee is proposed to be appointed as an Independent Director of the Company. He currently serves as an independent director of HTL International Holdings Limited and Marco Polo Marine Ltd (companies listed on the Main Board of the SGX-ST). From 2007 to 2013, he has held appointments as independent director for several years in 2 other companies listed on the Main Board of the SGX-ST.

Kelvin Lee has about 28 years of experience in finance, accounting and auditing. He began his professional career in Coopers & Lybrand and was promoted to Senior Audit Manager in 1988. He was Group Financial Controller of IMC Holdings Ltd. from 1994 to 2003 and served as Chief Financial Officer of Pan United Corporation Ltd from 2003 to March 2007.

Kelvin Lee is a fellow member of the Association of Chartered Certified Accountants, UK, and a fellow member of the Institute of Singapore Chartered Accountants. He is also a member of the Singapore Institute of Directors.

Yu-Foo Yee Shoon is proposed to be appointed as an Independent Director of the Company.

Yu-Foo Yee Shoon was Minister of State for Ministry of Community Development, Youth and Sports ("**MCYS**") from August 2004 to May 2011. From November 2001 to July 2004, she was Mayor of the Bukit Timah Community Development Council ("**CDC**") which subsequently expanded to become the South West CDC.

From June 1999 to October 2001, Yu-Foo Yee Shoon was the Senior Parliamentary Secretary for the then Ministry of Community Development and Sports. She was an Elected Member of Parliament from 1984 to May 2011, before she retired from politics. Yu-Foo Yee Shoon is the longest serving woman politician in Singapore.

From 1971 to 1999, she held various appointments in the Civil Service. She was a board member of statutory boards, government linked companies and NTUC co-operatives. Over the years, she had been Vice Chairman of NTUC Insurance Co-operative (INCOME), Vice President, Assistant Secretary-General and Deputy Secretary-General of NTUC. She was the first woman to chair the NTUC Central Co-operative Fund Committee and was a founder of NTUC Childcare. She was Founder Chairman of ComCare and NTUC Foodfare. Her other appointments include Member of the Professional Advisory Council of NTUC Childcare Co-operative Ltd, Chairman of the Board of Trustees of the Singapore National Co-operative Federation and Chairman of the MCYS Central Co-operative Fund Committee. She was also Independent Director of the listed companies, Kian Ann Engineering Ltd, Singapore Telecommunications Ltd (now known as SingTel) and Singapore Bus Service (now known as ComfortDelgro Corporation).

Yu-Foo Yee Shoon chairs the Publicity and Outreach Committee for the Lee Kuan Yew Fund for Bilingualism. Her other directorship includes Independent Non-Executive Director of Singapura Finance Ltd, Director of ARA Trust Management (Dynasty) Pte Ltd, and Honorary Chairman of Silkrouteasia Capital Partners Pte Ltd.

Currently, Yu-Foo Yee Shoon is Advisor to Hyflux Ltd, Nuri Holdings (S) Pte Ltd, Global Yellow Pages Ltd, and Dimensions International College Pte Ltd. She graduated from Nanyang University with a Bachelor of Commerce and a Masters Degree in Business from Nanyang Technology University. She was awarded the Honorary Doctorate of Education by Wheelock College of Boston, United States in 2008.

Relationships

Save as disclosed in Section 8.10 below, as at the Latest Practicable Date, none of the Proposed Directors are related to another Proposed Director, Proposed Executive Officer or Substantial Shareholder of the Enlarged Group.

As at the Latest Practicable Date, none of the proposed Independent Directors sits on the board of any of the Target Subsidiaries or on the board of the Company's principal subsidiaries that are based in jurisdictions other than Singapore.

Present and past directorships of the Proposed Directors

The list of past and present directorships of the Proposed Directors, excluding those held in the Company for the past 5 years preceding the Latest Practicable Date, is set out below:

Name	**Present Directorships**	**Past Directorships**
Dr Ho Kah Leong	**Target Group Companies** - **Other companies** Vicom Ltd Fuxing China Group Limited TP Healthcare Ltd (Formerly known as Toa Payoh Senior Citizens Health Care Centre Ltd) Ang Mo Kio-Thye Hua Kwan Hospital Ltd Pioneers & Leaders (M) Sdn Bhd	**Target Group Companies** - **Other companies** Brothers (Holdings) Limited B.Well Ltd (Formerly known as Geylang Senior Citizens Health Care Centre Ltd) Superbowl Holdings Ltd Pioneers & Leaders (HK) Pte Ltd
Ong Chih Ching	**Target Group Companies** CH(IOM) (as alternate director) Franklyn Europe Gramercy Properties Pte. Ltd. KOPP Montigo Nongsa **Other Companies** AHS Aqua Voyage Pte. Ltd. B3 Pte. Ltd. Bezel Pte. Ltd. Bezel Singapore Pte. Ltd. Chilen Holdings Pte. Ltd. Franklyn Singapore Hayden Properties KOP Capital Pte. Ltd. KOPG KOP Hospitality KOP H&R KOP Luxury KOP-Scotts Pte. Ltd.	**Target Group Companies** - **Other Companies** 10 Trinity Square Club Limited 10 Trinity Square Hotel Limited 10 Trinity Square Limited (in the process of members' voluntary winding up) 10 Trinity Square Parking Limited 10 Trinity Square Residences Limited Aohai International Pte. Ltd. Bezel Corporate Pte. Ltd. (struck off) Bullet Investments Limited East Coast (Cecil) Investment Pte. Ltd. Herbal-Basic Technologies Pte. Ltd. (struck off)

Name	Present Directorships	Past Directorships
	Movements Pte. Ltd. Royce Properties Scotts Spazio Pte. Ltd.	Hua Bin Investment Pte. Ltd. Iman Pack Asia Pte Ltd (struck off) Keystone Professionals Pte. Ltd. (dissolved - members' voluntary winding up) KOP Commercial Pte. Ltd. (struck off) KOP+Republik Capital Partners Pte. Ltd. (gazetted to be struck off) Middle Curtain & Carpet Pte Ltd Middle Group Holdings Pte Ltd (dissolved - members' voluntary winding up) Oldenwood S.á.r.l. PYA (Singapore) Pte. Ltd. Regatta Properties Pte. Ltd. (dissolved - members' voluntary winding up) Reignwood Holding Pte. Ltd. Rialto Properties Pte. Ltd. (struck off) Sardinia Properties Sealine Yachts Asia Pte. Ltd. Stein Group Asia Pte. Ltd. (struck off)
Leny Suparman	**Target Group Companies** CHL CH(IOM) CRE Franklyn Europe Gramercy Properties KOPP Montigo Nongsa PTMS PTTCP	**Target Group Companies** -
	Other companies AHS (as an alternate director) Aqua Voyage Pte. Ltd. B3 Pte. Ltd. Bezel Pte. Ltd. Bezel Singapore Pte. Ltd. Franklyn Singapore Hayden Properties KOP Capital Pte. Ltd. KOPG KOP Hospitality KOP H&R KOP Properties Limited KOP-Scotts Pte. Ltd. Movements Pte. Ltd. Royce Properties	**Other companies** Bezel Corporate Pte. Ltd. (struck off) Bullet Investments Limited (as an alternate director) East Coast (Cecil) Investment Pte. Ltd. KOP Commercial Pte. Ltd. (struck off) Oldenwood S.á.r.l. PYA (Singapore) Pte. Ltd. Regatta Properties Pte. Ltd (dissolved- members' voluntary winding up) Rialto Properties Pte. Ltd. (struck off) Royce Properties (as an alternate director) Sardinia Properties Stein Group Asia Pte. Ltd. (struck off)

Name	Present Directorships	Past Directorships
Ko Chuan Aun	**Target Group Companies** - **Other companies** HSK Resources Pte. Ltd. KSH Holdings Ltd Singapore Koh Clan Association Ltd Super Group Ltd San Teh Ltd Koon Holdings Ltd Scorpio Subsidiaries (save for Scorpio East Pictures Sdn. Bhd. and Scorpio East Pictures (H.K.) Limited)	**Target Group Companies** - **Other companies** Athena Corporation Pte. Ltd. (struck off) Bellewave Cosmetics Pte. Ltd. Brothers (Holdings) Limited Global Vantage Innovative Group Pte. Ltd. Homely Hardware Pte Ltd Homely Holdings Pte. Ltd. Smartview Singapore Pte. Ltd. Star Route Pte Ltd.
Kelvin Lee	**Target Group Companies** - **Other companies** HTL International Holdings Ltd. Marco Polo Marine Ltd.	**Target Group Companies** - **Other companies** Ausgroup Limited Pacific Healthcare Holdings Ltd.
Yu-Foo Yee Shoon	**Target Group Companies** - **Other companies** Singapura Finance Ltd. ARA Trust Management (Dynasty) Pte. Ltd.	**Target Group Companies** - **Other companies** -

<u>Experience and Training of the Proposed Directors</u>

Pursuant to Rule 406(3) of the Catalist Rules, Dr Ho Kah Leong, Ko Chuan Aun, Kelvin Lee and Yu-Foo Yee Shoon have prior experience as directors of public listed companies in Singapore, and are familiar with the roles and responsibilities of a director of a public listed company in Singapore.

Ong Chih Ching and Leny Suparman do not have experience as a director of a public listed company in Singapore and have undertaken the relevant training in Singapore to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore.

<u>Arrangement or Understanding</u>

As at the Latest Practicable Date, none of the Proposed Directors has any arrangements or understanding with any of the Substantial Shareholders, customers or suppliers or other person of the Enlarged Group pursuant to which such persons are or will be appointed.

8.7 Proposed Executive Officers

After the Completion, the Enlarged Group will have a new senior management team. As at the Latest Practicable Date, the particulars of the Proposed Executive Officers are as follows:

Name	Age	Address	Proposed Position in the enlarged Group
Lily Foo[(1)]	48	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	CFO
Joey Ong[(1)]	47	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	COO
Dalip Singh[(1)]	42	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	Managing Director
Anton Kilayko[(1)]	39	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	Director of Marketing
Ron Loi[(2)]	35	c/o 25 Tai Seng Avenue #06-01, Scorpio East Building Singapore 534104	Director of Investments

Notes:

(1) Proposed to be appointed as a new Executive Officer after Completion.

(2) An existing Executive Officer of the Company.

<u>Qualifications and working experience</u>

Information on the qualifications and business and working experience of the Proposed Executive Officers is set out below:

Lily Foo is the CFO of the Target Company with responsibility for the overall financial management of the Target Group. She has more than 20 years' working experience in various finance and accounting positions.

Prior to joining the Target Company in November 2010, she was the Chief Financial Officer of Pacific Healthcare Holdings Ltd, a company which she joined in 2007 and which is listed on the SGX-ST. She started her professional career in audit with Deloitte & Touche, from May 1988 to August 1994. She then spent the subsequent 6 years with The Hour Glass Limited, a company listed on the SGX-ST, in various capacities as Finance Manager and Group Accountant. She left The Hour Glass Limited in May 2000 to pursue a six-year career with Boustead Projects Pte Ltd where she was involved in the financial management of the various industrial real estate projects undertaken by the company.

She graduated with a Bachelor of Accountancy from the National University of Singapore in 1988 and is a chartered accountant of Singapore.

Joey Ong is the COO of the Target Company, holding responsibility for the overall corporate and business operations of the Target Group. Joey Ong joined KOPG in 2007 as Senior Manager, Business Development. She was later appointed Deputy Director, Internal Audit & Compliance in 2008 and tasked with the internal audit of the companies within the KOPG Group as well as overseeing compliance matters such as bank compliance and reporting to third party investors. Joey Ong was promoted to her current position as COO of the Target Company in August 2010.

Joey Ong started her career in Additive Circuits Pte Ltd in 1987 where she worked as a materials engineer and was responsible for research and development on the electroplating of circuits on plastic boards and was involved in the trouble-shooting and process control of daily production. In 1991, she joined Phillips Singapore as a procurement officer in its purchasing department, with responsibility for local and overseas supplier selection, qualification, appraisal and budgeting for the department, amongst other duties. From 1994 to 1998, Joey Ong was a director of Clinch International Pte Ltd, a company providing software solutions for legal practice in Singapore and Malaysia. In 1998, she was appointed a director of Fresh Lush Handmade Cosmetics Pte Ltd, the manufacturer and retailer of handmade body products and cosmetics. In 1996, she joined Koh Ong & Partners, a Singapore law firm in which the principal partners were Ong Chih Ching and Koh Geok Jen, as an office manager, being in charge of the finance, office administration and human resources functions of the firm. Joey Ong then joined Koh Ong & Partners Management Services Pte Ltd in 1999 as office manager. Joey Ong continued in her role as office manager until 2007 when she joined the KOPG Group.

Joey Ong obtained a graduateship from The Plastics & Rubber Institution in the UK in 1987.

Dalip Singh was promoted to Managing Director of the Target Company with effect from 1 May 2013. He was previously the Senior Vice President and Head of KOP Hospitality. He started his professional career in hotel management with The Ritz-Carlton, Millenia, Singapore as executive assistant manager, from January 2001 to June 2007. In July 2007, he joined Dusit International as general manager, and continued in his role until May 2010. From June 2010, he was general manager at Pangkor Laut Resort until August 2011, when he left to join the Target Company in September 2011.

Dalip Singh graduated with a Diploma in Management Studies from the Singapore Institute of Management in 2008.

Anton Kilayko is the Director of Marketing of the Target Company, with responsibility for all marketing, corporate communications and public relations aspects of the Target Company and KOP Hospitality. Anton Kilayko joined KOP H&R in June 2010 as vice president, marketing and brand development. He was later appointed senior vice president of KOP H&R in June 2011, with responsibility for overall corporate level hospitality marketing. Anton Kilayko was appointed to his current position in September 2012.

Anton Kilayko started his career in The Ritz-Carlton, Cancun, Mexico in 1999, and later joined The Ritz-Carlton, Millenia, Singapore in 2001. He was promoted to manager, public relations in January 2002, and later to director, public relations in 2003, where he was responsible for all public relations, crisis communications and marketing communications efforts of the hotel. In 2003, he was awarded the Mystique Award for Public Relations Director of the Year by The Ritz-Carlton Hotel Company L.L.C., and in 2005, he was awarded the Five Star Leader award by The Ritz-Carlton, Millenia Singapore. In January 2007, Mr Kilayko joined Orient-Express Trains and Cruises, Singapore, as director, sales and marketing, where he was in charge of overall sales and marketing efforts for the Eastern & Oriental Express (SEA) luxury train and Road to Mandalay river cruise (Myanmar). From November 2008, he joined Dusit International, Bangkok, Thailand as brand director of Dusit D2 and Dusit Devarana Hotels and Resorts, where he was in charge of brand development and guidelines implementation. He continued in this position until May 2010, when he left to join KOP H&R.

Anton Kilayko graduated with a Bachelor of Science in International Hospitality Management from the Les Roches International School of Hotel Management, Switzerland in 1998.

Ron Loi is currently the CFO of the Company. He is responsible for the Scorpio Group's full spectrum of financial and accounting functions, including financial accounting, management accounting, budgeting and forecasting, statutory reporting to relevant authorities as well as internal controls and compliance with corporate, legal, tax and accounting requirements. He has over 10 years of experience in financial auditing and accounting. Prior to joining the Scorpio Group, he held the position of CFO at Homely Hardware Pte Ltd. He is a non-practising member of the Institute of Singapore Chartered Accountants and graduated with a Bachelor of Accountancy (Honours) from Nanyang Technological University.

Past and present directorships of Proposed Executive Officers

The list of present and past directorships of Proposed Executive Officers for the past 5 years preceding the Latest Practicable Date, excluding those held in the Company is set out below:

Name	Present Directorships	Past Directorships
Lily Foo	**Target Group Companies** KOPP CHL CRE Montigo Nongsa PTMS PTTCP	**Target Group Companies** -
	Other Companies Royce Properties	**Other Companies** -
Joey Ong	**Target Group Companies** KOPP CHL CRE PTTCP	**Target Group Companies** -
	Other Companies -	**Other Companies** Clinch International Pte. Ltd. (struck off) Fresh Lush Handmade Cosmetics Pte. Ltd. (dissolved – members' voluntary winding up) KOPG
Dalip Singh	**Target Group Companies** -	**Target Group Companies** -
	Other Companies -	**Other Companies** -
Anton Kilayko	**Target Group Companies** -	**Target Group Companies** -
	Other Companies -	**Other Companies** -
Ron Loi	**Target Group Companies** -	**Target Group Companies** -
	Other Companies Scorpio Subsidiaries (save for Scorpio East Pictures Sdn. Bhd. and Scorpio East Pictures (H.K.) Limited)	**Other Companies** -

Relationships

Save as disclosed in Section 8.10 below, none of the Proposed Executive Officers are related to each other or to any of the Proposed Directors or Substantial Shareholders of the Enlarged Group.

Arrangement or Understanding

None of the Proposed Executive Officers has any arrangements or understanding with any of the Substantial Shareholders, customers or suppliers or other person of the Enlarged Group pursuant to which such person are or will be appointed.

8.8 Service Agreements

After Completion, the Company will enter into separate Service Agreements with each of Ong Chih Ching, Leny Suparman and Ko Chuan Aun, appointing each of them as an Executive Director of the Company.

The appointment under each Service Agreement will commence on the Completion Date ("**Commencement Date**") and shall continue (subject to earlier termination as provided in the Service Agreement) for a minimum period of 3 years from the Commencement Date. Upon the expiry of the initial period of 3 years, the employment of each appointee shall be reviewed by the new Board (in consultation with the new Remuneration Committee) and renewed on such terms and condition as the parties may mutually agree.

Each Service Agreement provides that either party to the Service Agreement may serve the notice of termination to the other with not less than 3 months' notice in writing, or in lieu of notice, payment of an amount equivalent to 3 months' salary based on the last drawn monthly salary of the appointee.

Each Service Agreement shall automatically terminate without any notice or payment in lieu of notice if: (a) the appointee becomes prohibited by law from being a director in the Company for any reason whatsoever; (b) the appointee becomes a mentally disordered person or a patient within the meaning of the Mental Disorders and Treatment Act (Cap 178) or is incapacitated and has been so incapacitated by ill health or accident for a period of 180 consecutive days or more, subject to the Company giving not less than 2 months' notice of termination, which notice shall only be given after the expiry of the said 180 days; or (c) the appointee is convicted of any criminal offence (save an offence under road traffic legislation for which he is not sentenced to any term of immediate or suspended imprisonment) and sentenced to any term of immediate or suspended imprisonment.

Under each Service Agreement, the Company may also terminate the appointee's employment forthwith, at any time during his appointment, without any notice or payment in lieu of notice if, *inter alia,* the appointee, in the reasonable opinion of the Board: (a) is guilty of any gross misconduct, misdemeanor or default which may in the reasonable opinion of the Board, prejudice the business of the Company or other associated companies; (b) neglects or refuses to perform all or any of his duties under the Service Agreement; (c) commits any act of criminal breach of trust or dishonesty; or (d) becomes bankrupt or make any arrangement or composition with his creditors generally.

Without prejudice to any remedy which it may have against the appointee, the Company may, with notice to the appointee, terminate each Service Agreement without any compensation or payment to the appointee if: (a) the appointee commits any act that is reported in general or trade press or otherwise achieves general notoriety which involves conduct that is likely to be regarded as illegal, immoral or scandalous and which, in the reasonable opinion of the new Board is likely to discredit the appointee to a degree which materially reduces the value of his services to the Company or may discredit the Company through association with the appointee; or (b) he is, in the reasonable opinion of the new Board, incompetent in the performance of his duties.

Each Service Agreement will not provide any further benefit or compensation if the appointee's employment is terminated in accordance with the terms of the Service Agreement.

The annual gross salary that Ong Chih Ching is entitled to under her Service Agreement is in the range of S$750,001 and S$1,000,000.

The annual gross salary that Leny Suparman is entitled to under her Service Agreement is in the range of S$500,001 and S$750,000.

The annual gross salary that Ko Chuan Aun is entitled to under his Service Agreement is in the range of S$0 and S$250,000.

Under the respective Service Agreements, it is provided, *inter alia*, that:

(a) an annual wage supplement ("**AWS**") shall be given at the discretion of the Company, depending on the performance and profitability of the Company as well as the appointee's performance. The appointee must be in the Company's service as at 31 December of that calendar year to be eligible for the AWS. Should the appointee serve less than a calendar year, the appointee shall be paid based on his last drawn salary on a pro-rated basis. Should he serve his notice to resign or termination on or before 31 December, he shall not be eligible for the AWS;

(b) any performance bonus shall be given at the discretion of the Company depending on the performance and profitability of the Company for the financial year as well as the appointee's performance. The appointee must be in the Company's service at the time of bonus payout in order to be eligible for the bonus payment where such payment shall be made after the financial year's results are audited. Should the appointee serve less than a calendar year, he shall receive a pro-rated amount of bonus payment based on his last drawn salary. Should he serve his notice to resign or termination on or before 31 December, he shall not be eligible for the bonus payout;

(c) the revision of the salary, allowances and benefits package of each appointee will be determined by the new Board (on the recommendation of the new Remuneration Committee) on annual basis. The new Board may (on the recommendation of the new Remuneration Committee) in its absolute discretion, in addition to the payments referred to above, make such other payments, or provide such other allowances or benefits to each appointee;

(d) during the term of his Service Agreement, and save as already disclosed to the new Board, each appointee shall not (except as a representative or nominee of any of the Company, its related corporations and associated companies ("**Enlarged Group Company**") or otherwise with the prior consent in writing of the Board) be directly or indirectly engaged, concerned or interested in any other business which:

    (i) is wholly or partly in competition with any business carried on by any Enlarged Group Company by itself or themselves or in partnership, common ownership or as a joint venture with any third party; or

    (ii) as regards any goods or services is a supplier to or customer of any Enlarged Group Company;

(e) each appointee shall not during his employment under his Service Agreement and within a period of 1 year upon his ceasing to be an Executive Director of the Company within Singapore or any country in which any Enlarged Group Company has operations (hereinafter jointly referred to as the "**Territory**") directly or indirectly, except with the Company's prior written consent:

    (i) either on his own account or for any other person directly or indirectly solicit, interfere with or endeavour to entice away from any Enlarged Group Company any person who to his knowledge is now or has been a client, customer or employee of, or in the habit of dealing with, any Enlarged Group Company;

(ii) save for his current interests either alone or jointly with or as a manager, agent for or employee of any person, directly or indirectly carry on or be engaged or concerned or interested in any business similar to any Relevant Business at the date hereof; and

(iii) act as a director or otherwise of any other person, firm or company engaging directly or indirectly in the Relevant Business which is in competition with the business of any Enlarged Group Company;

(f) each appointee shall not during his employment and upon his ceasing to be an Executive Director of the Company without limit in point of time, directly or indirectly, except with the Company's prior written consent:

(i) use the name of any Scorpio Subsidiary or Target Subsidiary or any colourable imitation thereof in connection with any business; and

(ii) use any trade mark of any Scorpio Subsidiary or Target Subsidiary in connection with any business; and

(g) each appointee shall not during his employment and upon his ceasing to be an Executive Director of the Company directly or indirectly, except with the Company's prior written consent disclose to any person, or himself use for any purpose, and shall use his best endeavours to prevent the publication or disclosure of, and information concerning the business, accounts or finances of any Enlarged Group Company or any of its clients' or customers' transactions or affairs, which may, or may have, come to his knowledge.

The terms of the Service Agreements have been reviewed and approved by the new Remuneration Committee.

Save for the Service Agreements, there are no bonus or profit-sharing plans or any other profitlinked agreements or arrangements between the Company and any of the Proposed Executive Directors.

Save as disclosed above, there are no existing or proposed service contracts entered into or to be entered into by the Company or any of its subsidiaries with any of the Proposed Directors or Proposed Executive Officers which provides for compensation in the form of stock options, or pension, retirement or other similar benefits, or other benefits, upon the termination of employment.

Save as disclosed above, there are no other existing or proposed service agreements entered into or to be entered into between the Company and any of the Proposed Directors.

8.9 Remuneration

The compensation paid or payable to the Proposed Directors (including directors' fees) and the Proposed Executive Officers (including salary, bonus, statutory contribution and benefits-in-kind), for services rendered to the Target Group in all capacities for FY2012 and FY2013 (being the 2 most recent completed financial years) and the estimated compensation to be paid to the Proposed Directors and Proposed Executive Officers (on an aggregate basis and in remuneration bands [(1)]) for services rendered to the Enlarged Group for FY2014 (such estimate excluding bonuses and any profit sharing plan) are as follows:

Name	**FY2012**	**FY2013**	**FY2014 (Estimated)[(2)]**
Proposed Directors			
Dr Ho Kah Leong	-[(3)]	-[(3)]	-
Ong Chih Ching	-[(3)]	Band C [(4)]	Band D
Leny Suparman	Band C	Band C [(4)]	Band C
Ko Chuan Aun	-[(3)]	-[(3)]	-
Lee Kiam Hwee Kelvin	-[(3)]	-[(3)]	-
Yu-Foo Yee Shoon	-[(3)]	-[(3)]	-

Name	FY2012	FY2013	FY2014 (Estimated)(2)
Proposed Executive Officers			
Lily Foo	Band A	Band B	Band B
Joey Ong	Band B	Band B	Band B
Dalip Singh	-(3)	Band A	Band B
Anton Kilayko	-(3)	Band A	Band A
Ron Loi	-(3)	-(3)	-

Notes:

(1) "Band A" refers to remuneration of up to S$250,000 per annum. "Band B" refers to remuneration from S$250,001 to S$500,000 per annum. "Band C" refers to remuneration from S$500,001 to S$750,000 per annum. "Band D" refers to remuneration from S$750,001 to S$1,000,000 per annum.

(2) The estimated compensation for the Enlarged Group's FY2014 includes salary, CPF (and other provident funds contributions), directors' fee and benefits in kind, if applicable, but does not include any bonus or profit sharing that the Proposed Directors are entitled to under their employment with the Enlarged Group.

(3) Not appointed or employed by the Target Group during the relevant periods.

(4) The estimated remuneration of Ong Chih Ching and Leny Suparman for FY2013 does not include any performance bonuses payable under their respective service agreements.

Save for amounts set aside or accrued in respect of mandatory employee funds, no amounts have been set aside or accrued by the Target Group to provide pension, retirement or similar benefits.

As at the Latest Practicable Date, (i) no portion of the compensation was paid or is to be paid pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement; and (ii) no portion of the compensation was paid or is to be paid in the form of stock options in respect of FY2014.

8.10 Remuneration of Employees Related to Directors and Substantial Shareholders

Joey Ong, the Proposed COO of the Enlarged Group, is the sister of Ong Chih Ching, a Proposed Director of the Enlarged Group. The estimated compensation to be paid to Joey Ong (including salary, bonus, statutory contribution and benefits-in-kind) in FY2014 is in the remuneration band of S$250,001 to S$500,000. The basis of determining the remuneration of Joey Ong is the same as the basis of determining the remuneration of other unrelated employees. The remuneration of employees who are related to the Proposed Directors and Controlling Shareholders (if any) shall be subject to the annual review and majority approval of the new Remuneration Committee to ensure that their remuneration packages are in line with the staff remuneration guideline of the Enlarged Group and commensurate with their respective job scopes and level of responsibilities. Remuneration of employees who are related to Proposed Directors and Controlling Shareholders (if any) and whose remuneration exceed S$150,000 during the year will be disclosed in the Company's annual report. In addition, any new employment of related employees and the proposed terms of their employment will also be subject to the review and approval of the new Nominating Committee. In the event that a member of the new Remuneration Committee or new Nominating Committee is related to the employee under review, he will abstain from the review.

8.11 Material background information

As at the Latest Practicable Date, each of the Proposed Directors, Proposed Executive Officers and the Controlling Shareholders of the Target Group has represented to the Directors and the Company that, save as disclosed below, he/she has not:

(a) at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner;

(b) at any time, during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity, not being a partnership, of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

(c) had any unsatisfied judgments against him;

(d) been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings, including any pending criminal proceedings of which he is aware, for such purpose;

(e) been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings, including any pending criminal proceedings of which he is aware of, for such breach;

(f) at any time during the last 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings, including any pending civil proceedings of which he is aware, involving an allegation of fraud, misrepresentation or dishonesty on his part;

(g) been convicted, in Singapore or elsewhere, of any offence in connection with the formation or management of any entity or business trust;

(h) been disqualified from acting as a director or an equivalent person of any entity including the trustee of a business trust, or from taking part directly or indirectly in the management of any entity or business trust;

(i) been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

(j) to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

  (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

  (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

  (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

  (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in each case, in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

(k) been the subject of any current or past investigation or disciplinary proceedings, nor has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

In late 2008, KOP H&R made an acquisition of Oldenwood S.a.r.l, ("**Oldenwood**"), a company incorporated in Luxembourg. Ong Chih Ching and Leny Suparman were appointed as managers of Oldenwood, and have since resigned. Oldenwood is the sole shareholder of the six legal entities in the Stein Management Group of companies, 5 of which were incorporated in Spain and 1 in the United States of America. Pursuant to a settlement agreement dated 31 July 2009 between Oldenwood and KOP H&R, it was agreed that, with the exception of 2 Spanish subsidiaries Luxury Lifestyles Hotels, S.L. and Luxury Lifestyles Magazine, which were being transferred to KOP H&R, the rest of the four subsidiaries would be wound up. At the time of Ong Chih Ching and Leny Suparman's resignations as managers of Oldenwood, it was contemplated that Oldenwood would also eventually be wound up.

Sometime between 1998 and 2005, Property King Pte. Ltd. ("**Property King**") was investigated by the Commercial Affairs Department for the breach of section 76 of the Companies Act. At the material time, Ong Chih Ching served as Corporate Secretary of Property King. No charges were made against anyone in Property King and no further action was taken following the investigation.

8.12 Corporate Governance

Board Practices

The Company has, since its listing on the SGX-ST Dealing and Automated Quotation System in March 2006, put in place and adopted various policies and practices based on the Code of Corporate Governance 2005 (the "**Code of Corporate Governance**") where it is applicable and practical to the Scorpio Group in the context of its business and organisation structure.

Upon Completion, it is proposed that the new Board of the Company will remain committed to maintaining a high standard of corporate governance within the Enlarged Group and will exert best efforts to implement the good practices recommended in the Code of Corporate Governance issued by the Corporate Governance Committee on Corporate Governance from time to time.

All Directors will be appointed to the Board by way of a formal letter of appointment or service agreement setting out the scope of their duties.

The new Board will be entrusted with the responsibility for the overall management of the business and corporate affairs of the Enlarged Group.

Matters that specifically require the new Board's decision or approval, are those involving:

(a) corporate strategy and business plans;

(b) investment and divestment proposals;

(c) funding decisions of the Enlarged Group;

(d) nominations of Directors and appointment of key personnel;

(e) announcement of financial results, the annual report and accounts;

(f) material acquisitions and disposal of assets;

(g) approving contracts with partners without track record;

(h) approving significant contracts, purchases or tenders, where the value is greater than 5% of the Enlarged Group's latest audited net tangible assets;

(i) approving and reviewing covering duties and authorities over critical processes;

(j) reviewing the process of evaluating the adequacy of internal controls, risk management, financial reporting and compliance; and

(k) all matters of strategic importance.

Every Director will be expected, in the course of carrying out his duties, to act in good faith, provide insights and consider at all times, the interests of the Company.

All other matters will be delegated to various committees (the "**Board Committees**") whose actions will be monitored by the Board. These committees include the Audit Committee, the Nominating Committee and the Remuneration Committee, and each of the Board Committees operates within clearly defined terms of reference and functional procedures.

Upon completion of the Proposed Transactions and the appointment of the Proposed Directors, the Audit Committee, the Nominating Committee and the Remuneration Committee will be reconstituted as set out below.

<u>New Audit Committee</u>

The new Audit Committee will comprise Dr Ho Kah Leong, Lee Kiam Hwee Kelvin and Yu-Foo Yee Shoon. Lee Kiam Hwee Kelvin will be the Chairman of the new Audit Committee.

The new Audit Committee will meet at least twice every financial year. It will perform the following functions:

(a) review announcements of the Enlarged Group's biannual and full year results;

(b) review the audit plans and reports of the external auditors and to consider the effectiveness of the actions taken by the management on the external auditors' recommendations;

(c) appraise and report to the Board on the audits undertaken by the external auditors, the adequacy of disclosure of information;

(d) review the adequacy of the Enlarged Group's internal financial, operational and compliance controls, and risk management policies and systems established by the Management;

(e) review the assistance and co-operation given by the management to the external auditors;

(f) discuss problems and concerns, if any, arising from the interim and final audits;

(g) nominate external auditors for re-appointment;

(h) review interested person transactions, as defined in the Catalist Rules; and

(i) review the effectiveness of the Company's internal audit function and consider the appointment and re-appointment of the internal auditors.

The new Audit Committee will have explicit authority to investigate any matter within its terms of reference and will have full access to and co-operation by the management. It will also have full discretion to invite any Director or Executive Officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

The Audit Committee will meet with the external auditors and/or internal auditors at least once a year without the presence of the management to review the management's level of cooperation and other matters that warrants the Audit Committee's attention.

The Audit Committee will review the independence of the external auditors annually.

In order to facilitate the new Audit Committee to discharge its responsibilities, the management of the Enlarged Group shall assist and provide the new Audit Committee with access to the information relating to the Enlarged Group.

Apart from the duties listed above, the new Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspicion of fraud or irregularity, or failure of internal controls or suspected infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Enlarged Group's operating results and/or financial position.

In the event that a member of the new Audit Committee is interested in any matter being considered by the new Audit Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

The Target Group had engaged internal auditors to conduct a review of the Target Group's internal controls and these will be reported to the new Audit Committee.

The new Audit Committee shall also commission an annual internal control audit of the Enlarged Group until such time as the new Audit Committee is satisfied that the Enlarged Group's internal controls are robust and effective enough to mitigate the Enlarged Group's internal control weaknesses (if any). Prior to the decommissioning of such annual audit, the new Board is required to report to the Enlarged Group's sponsor and the SGX-ST on how the key internal control weaknesses have been rectified, and the basis for the decision to decommission the annual internal control audit. Appropriate disclosure will be made via the SGXNET of any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by the new Board.

The Proposed Directors, with the concurrence of the new Audit Committee, is of the opinion that the internal controls of the Target Group, addressing financial, operational and compliance risks are adequate to address financial, operational and compliance risks.

Opinion of the Enlarged Group's CFO

Lily Foo is proposed to be appointed as the CFO of the Enlarged Group upon completion of the Proposed Transactions. In connection with the Completion, Lily Foo has worked closely with the Reporting Accountants in the preparation of the financial information in this Circular, and has provided, verified and substantiated operational information to the Reporting Accountants and the working group based on her knowledge of the Target Group's operations, accounting policies and financial position. Through her close involvement in the preparation of this Circular, Lily Foo is of the opinion that the Target Group's financial records are free of material misstatements, and she is not aware of any significant weakness in the controls of the Target Group.

Suitability of the Enlarged Group's CFO

The new Audit Committee has considered the qualifications and working experience of Lily Foo, the proposed CFO of the Enlarged Group. After making all reasonable enquiries, and to the best of their knowledge and belief, nothing has come to the attention of the members of the new Audit Committee to cause them to believe that Lily Foo, the proposed CFO of the Enlarged Group, does not have the competence, character and integrity expected of a CFO.

<u>New Nominating Committee</u>

The new Nominating Committee will comprise Dr Ho Kah Leong, Lee Kiam Hwee Kelvin and Yu-Foo Yee Shoon. Yu-Foo Yee Shoon will be the Chairman of the new Nominating Committee.

The principal terms of reference of the Nominating Committee are as follows:

(a) review nominations for the appointment and re-appointment of members to the Board and the various Board Committees;

(b) decide on the evaluation criteria of the Board, propose an objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;

(c) decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company (in a case where the Director has multiple board representations);

(d) ensure that Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years; and

(e) determine, on an annual basis, whether a Director is independent.

The new Nominating Committee will decide how the performance of the Board is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which addresses how the Board has enhanced long term Shareholders' value. The performance evaluation will also include consideration of the Share price performance over a five-year period vis-à-vis the Straits Times Index. The Board will implement a process to be carried out by the new Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution of each Director to the effectiveness of the Board. The selected performance criteria shall not be changed from year to year unless they are deemed necessary and the Board is able to justify the changes.

The Nominating Committee will be responsible for the re-nomination of the Directors. The Nominating Committee may recommend the appointment of any other qualified person as a Director to fill a vacancy or as an addition to the Board. Article 117 of the Company's Articles of Association provides that such Director so appointed shall hold office until the next AGM and shall be eligible for re-election. In making recommendation for the purpose of re-nomination of the Directors, the Nominating Committee will take into consideration their overall contribution and performance.

In its search, nomination and selection process for new Directors, the Nominating Committee will:

(a) identify the competencies required to enable the Board to fulfill its responsibilities;

(b) seek external assistance, if the need arises, by approaching relevant institutions such as the Singapore Institute of Directors, search companies or via public advertisements to search for suitable candidates. The search for suitable candidates could also be drawn from the contacts and network of the existing Directors and the Management;

(c) conduct formal interviews of short-listed candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required of them; and

(d) make recommendations to the Board for approval.

Each member of the new Nominating Committee shall abstain from voting on any resolutions, making any recommendations and/or participating in any deliberations of the new Nominating Committee in respect of the assessment of his performance or re-nomination as a director.

New Remuneration Committee

The new Remuneration Committee will comprise Dr Ho Kah Leong, Lee Kiam Hwee Kelvin and Yu-Foo Yee Shoon. Dr Ho Kah Leong will be the Chairman of the new Remuneration Committee.

The new Remuneration Committee will recommend to the Board a framework of remuneration for the Board and the senior management as well as specific remuneration packages for the CEOs and Executive Directors. The recommendations will be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to Directors' and senior management's fees, salaries, allowances, bonuses and benefits in kind will be covered by the Remuneration Committee.

Each member of the Remuneration Committee will abstain from voting on any resolution, participating in any deliberation of the Remuneration Committee and making any recommendation in respect of his remuneration.

The Remuneration Committee will be provided with access to expert professional advice on remuneration matters as and when necessary. The expenses of such services shall be borne by the Company.

Each member of the new Remuneration Committee shall abstain from voting on any resolutions, making recommendations and/or participating in any deliberations of the new Remuneration Committee in respect of his remuneration package or that of employees related to him (if any).

<u>Term of Office</u>

Article 107 of the Company's Articles of Association requires an election of Directors to be held annually and one-third of the Directors to retire from office at least once in every three years at the Company's AGM.

Article 112 of the Company's Articles of Association provides that each term of appointment of the Managing Director (or a person holding an equivalent position) shall not exceed five years. Pursuant to Article 109 of the Company's Articles of Association, retiring Directors are eligible to offer themselves for re-election. However, a retiring Director is eligible for re-election at the meeting at which he retires, subject to applicable laws. Pursuant to Section 153(6) of the Companies Act, a person of or over the age of 70 years may, by an ordinary resolution passed at an annual general meeting of a company, be appointed or re-appointed as a director of the company to hold office or be authorised to continue in office as a director of the company, until the next annual general meeting of the company.

8.13 Guidelines and Review Procedures for Future Interested Person Transactions

To ensure that an interested person transaction is undertaken at arm's length and on normal commercial terms and will not be prejudicial to the Enlarged Group and the Independent Shareholders, the new Audit Committee will, upon the completion of the Proposed Transactions, adopt the following procedures when reviewing an interested person transaction:

(a) when purchasing any products or engaging any services from an interested person, two other quotations from non-interested persons will be obtained for comparison to ensure that the interests of the Enlarged Group and Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, requirements, specifications, delivery time and track record will be taken into consideration;

(b) in the case of renting properties from or to an interested person, the Board shall take appropriate steps to ensure that the rent is commensurate with the prevailing market rates, including adopting measures such as making relevant inquiries with landlords of similar properties and/or obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). The amount payable shall be based on the most competitive market rental rate of similar property in terms of size, suitability for purpose and location, based on the results of the relevant inquiries;

(c) where it is not possible to compare against the terms of other transactions with unrelated third parties and given that the products or services may be purchased only from an interested person, the interested person transaction will be approved by either the Group CEO and Executive Director or an equivalent of the relevant company in the Enlarged Group, who has no interest in the transaction, in accordance with the Enlarged Group's usual business practices and policies. In determining the transaction price payable to the interested person for such products and/or service, factors such as, but not limited to, quantity, requirements and specifications will be taken into account; and

(d) in addition, the Enlarged Group shall monitor all interested person transactions entered into by it and categorise these transactions as follows:

(i) a Category 1 interested person transaction is one where the value thereof is equal or in excess of 3.0% of the NTA of the Enlarged Group; and

(ii) a Category 2 interested person transaction is one where the value thereof is below 3.0% of the NTA of the Enlarged Group.

All Category 1 interested person transactions must be approved by the new Audit Committee prior to entry whereas Category 2 interested person transactions need not be approved by the new Audit Committee prior to entry but shall be reviewed on a quarterly basis by the new Audit Committee.

The new Audit Committee will review all interested person transactions, if any, on a quarterly basis to ensure that they are carried out on an arm's length basis and in accordance with the procedures outlined above, it will take into account all relevant non-quantitative factors. In the event that a member of the new Audit Committee is interested in any such transaction, he will abstain from participating in the review and approval process in relation to that particular transaction.

The Enlarged Group shall prepare all the relevant information to assist the new Audit Committee in its review and will keep a register recording all interested person transactions. The register shall also record the basis for entry into the transactions, including the quotations and other evidence obtained to support such basis.

In addition, the new Audit Committee and the Board will also ensure that all disclosures, approvals and other requirements on interested person transactions, including those required by prevailing legislation, the Catalist Rules (in particular, Chapter 9) and relevant accounting standards, are complied with. The annual internal audit plan shall incorporate a review of all interested person transactions entered into. Such transactions will also be subject to the approval of Shareholders if required by the Catalist Rules. The Enlarged Group will also endeavour to comply with the recommendations set out in the Code of Corporate Governance.

These internal audit reports will be reviewed by the new Audit Committee to ascertain whether the guidelines and procedures established to monitor interested person transactions have been complied with. The new Audit Committee shall also review from time to time such guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that interested person transactions are conducted on normal commercial terms, on an arm's length basis and do not prejudice the Enlarged Group's interests and the interests of Shareholders. Further, if during these periodic reviews by the new Audit Committee, the new Audit Committee is of the opinion that the guidelines and procedures as stated above are not sufficient to ensure that interested person transactions will be on normal commercial terms, on an arm's length basis and not prejudicial to the Enlarged Group's interests and the interests of Shareholders, the new Audit Committee will adopt such new guidelines and review procedures for future interested person transactions as may be appropriate.

Disclosure will be made in the Enlarged Group's annual report of the aggregate value of interested person transactions during the relevant financial year under review.

8.14 Potential Conflict of Interests

In general, a conflict of interests arises when any of the Proposed Directors, Controlling Shareholders or their respective Associates is carrying on or has any interest in any other corporation carrying on the same business or dealing in similar products as the Enlarged Group.

Save as disclosed in Section B12 titled "Conflict of Interests" of this Circular, none of the Proposed Directors, Controlling Shareholders, and/or their respective Associates has any material interest, whether direct or indirect, in:

(a) any material transactions to which the Enlarged Group was or is a party;

(b) any corporation which carries on the same business or deals in similar products as the existing business of the Enlarged Group; or

(c) any corporation that is the Enlarged Group's customer or supplier of goods or services.

8.15 Unaudited Pro Forma Enlarged Group Financial Information

Please refer to the "Unaudited Pro Forma Financial Information of the Enlarged Group" in **Appendix I** to this Circular which should be read in conjunction with Section B7 of this Circular.

8.16 Dividend Policy

Shareholders and prospective investors should note that the Scorpio Group currently does not have a formal dividend policy.

As at the Latest Practicable Date, the Target Group does not have a formal dividend policy. There can be no assurance that dividends will be paid in the future or on the amount or timing of any dividends that may be paid in the future. The declaration and payment of any future dividends will depend upon factors such as operating results, financial position, cash requirements, expansion plans as well as any other factors deemed relevant by the new Board.

The Enlarged Group may, by ordinary resolution of the Shareholders at a general meeting, declare dividends but the amount of such dividends shall not exceed the amount recommended by the new Board. The new Board may also declare interim dividends without seeking Shareholders' approval.

The Target Group has not declared, approved and paid any dividend for FY2011 and FY2012 and for the period from 1 April 2013 to the Latest Practicable Date. The Target Group paid dividends of S$0.59 per share of the Target Company (amounting to total dividends of S$8.98 million) for FY2013.

Shareholders and potential investors should note that all the foregoing statements are statements of the intention of the Board and shall not constitute legally binding statements in respect of future dividends which may be subject to the sole and absolute discretion of the Proposed Directors. No inference should or can be made from any of the foregoing statements as to actual future profitability of the Enlarged Group or the ability of the Enlarged Group to pay dividends in the future.

8.17 Exchange Controls

Please refer to "Exchange Controls" as set out in **Appendix D** to this Circular for more information on exchange controls in Singapore, Indonesia and the UK.

9. RISK FACTORS

An investment in the Shares following Completion involves a number of risks, some of which could be substantial and/or are inherent in the Target Group's business, including market, liquidity, credit, operational, legal and regulatory risks relating to the Target Group.

To the best of the knowledge and belief of the Proposed Directors, all risk factors which are material to Shareholders in making an informed judgment of the Target Group, the Proposed Acquisition and the Enlarged Group have been set out in **Appendix E** to this Circular.

The risk factors set out in **Appendix E** to this Circular relate principally to the industry in which the Target Group operates and which the Enlarged Group will operate following Completion. Other considerations relate principally to general economic, political and regulatory conditions.

The risk factors set out in **Appendix E** to this Circular are not the only risks which the Target Group and the Enlarged Group face. Some risks are not yet known to the Company, the Target Group and the Vendors and there may be others which they currently believe are not material but may subsequently turn out to be so. Factors that affect the price of the Shares may change and the risk factors set out in **Appendix E** to this Circular should not be construed as a comprehensive listing of all the risk factors and the listing is not set out in any particular order.

If any of the following considerations, risks and uncertainties set out in **Appendix E** to this Circular develops into actual events, the business operations, financial condition, results, cash flow and prospects of the Target Group and/or the Enlarged Group could be, directly or indirectly, materially and adversely affected. In the event that any of the foregoing occurs, the trading price of the Shares could fluctuate and/or decline and Shareholders may lose all or part of their investment in the Shares.

This Circular also contains forward-looking statements that involve risks, uncertainties and assumptions. The actual results could differ materially from those anticipated or implied in these forward-looking statements as a result of certain factors set out in **Appendix E** to this Circular and elsewhere in this Circular.

Shareholders should evaluate the information in Appendix E and the other information in this Circular carefully before deciding on the Proposed Transactions and how to cast their votes at the EGM.

10. MATERIAL CONTRACTS

The Scorpio Group has entered into the following material contracts which were not in the ordinary course of business within the 2 years preceding the Latest Practicable Date:

(a) Acquisition Agreements;

(b) A loan agreement for the provision of a loan of S$1,000,000 to the Company from Lian Bee Metal Pte Ltd (a controlling shareholder of the Company) dated 26 March 2012; and

(c) Conditional share placement agreement dated 27 March 2013 between the Company, Lian Bee Metal Pte Ltd, Ko Chuan Aun, Cheng Kok Shin and Lee Boon Leng ("**Placees**") for the allotment and issue of an aggregate of 34,000,000 new Shares to the Placees in the proportions set out below and at an issue price of S$0.065 for each Share:

	Number of Shares issued	Consideration (S$)
Lian Bee Metal Pte Ltd	25,000,000	1,625,000
Ko Chuan Aun	3,000,000	195,000
Cheng Kok Shin	3,000,000	195,000
Lee Boon Leng	3,000,000	195,000

Save for the contracts set out in this section, on the SGXNET, in the Company's annual reports, or any publicly available information on the Company, the Scorpio Group has not entered into any contract, being a contract entered into outside the ordinary course of business, within the 2 years preceding the Latest Practicable Date.

11. MATERIAL LITIGATION

As at the Latest Practicable Date, the Scorpio Group has not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, which may have or have had in the 12 months before the Latest Practicable Date, a material effect on the Scorpio Group's financial position or profitability, and the Directors have no knowledge of any proceedings pending or threatened against the Scorpio Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Scorpio Group.

12. NO MATERIAL EFFECT ON FINANCIAL POSITION

Save as disclosed in this Circular and all public announcements made by the Company, the Directors are not aware of any event which has occurred since the last audited balance-sheet date of 30 April 2013 and up to the Latest Practicable Date which may have a material effect on the financial position and results of the Company.

13. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

13.1 Interest of Directors and Substantial Shareholders in Shares

As at the Latest Practicable Date[(1)], the interests of Directors and Substantial Shareholders of the Company in the issued and paid-up share capital of the Company as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained pursuant to Sections 164 and 88, respectively, of the Companies Act are as follows:

	Direct Interest		Deemed Interest	
Name	**Number of Shares**	**% of total issued Shares**	**Number of Shares**	**% of total issued Shares**
Directors				
Dr Ho Kah Leong	-	-	-	-
Ko Chuan Aun	3,000,000	1.629	-	-
Yee Kit Hong	-	-	-	-
Chia Hoo Khun Valery Kelvin	-	-	-	-
Toh Tian Sze[(2)]	28,000	0.015	40,422,000	21.948
Substantial Shareholders of the Company (other than Directors)				
Lian Bee Metal Pte Ltd[(2)]	40,422,000	21.948	-	-
Toh Tiau Lai[(3)]	-	-	40,422,000	21.948
Ang Sin Liu[(4)]	2,750,000	1.493	6,576,738	3.571
Lovell Peak Assets Ltd	18,500,000	10.045	-	-
Tan Kang Seng[(5)]	-	-	18,500,000	10.045
Kang Lee Cheng, Susanna[(6)]	-	-	10,000,000	5.430
Teo Kee Bock	15,201,000	8.254	-	-

Notes:

(1) As at the Latest Practicable Date, the issued and fully-paid up capital of the Company is S$18,396,087 comprising 184,168,117 Shares.

(2) As at the Latest Practicable Date, Toh Tian Sze is a controlling shareholder and director of Lian Bee Metal Pte Ltd. Accordingly, he is deemed interested in 40,422,000 Shares held by Lian Bee Metal Pte Ltd, by virtue of section 7 of the Companies Act.

(3) As at the Latest Practicable Date, Toh Tiau Lai is a controlling shareholder of Lian Bee Metal Pte Ltd. Accordingly, he is deemed interested in 40,422,000 Shares held by Lian Bee Metal Pte Ltd, by virtue of section 7 of the Companies Act.

(4) As at the Latest Practicable Date, Ang Sin Liu is deemed to have an interest in 6,576,738 Shares held through United Overseas Bank Nominees Pte Ltd as Ang Sin Liu's nominee.

(5) As at the Latest Practicable Date, Tan Kang Seng is deemed to have an interest in 18,500,000 Shares held in the name of United Overseas Bank Nominees (through Societe Generale Bank & Trust, Singapore). Tan Kang Seng and Lim Siew Guat are joint holders of the account maintained with Societe Generale Bank & Trust, Singapore.

(6) As at the Latest Practicable Date, Kang Lee Cheng, Susanna is deemed to have an interest in 10,000,000 Shares held through DB Nominees (S) Pte Ltd as Kang Lee Cheng, Susanna's nominee.

13.2 Interest of Directors and Substantial Shareholders of the Company in Proposed Transactions

Save as disclosed above, none of the Directors, Substantial Shareholders or Controlling Shareholders of the Company has any interest, direct or deemed, in the Proposed Transactions.

13.3 No difference in voting rights

As at the Latest Practicable Date, the Shares held by the CEO of the Company, the Directors, Substantial Shareholders and/or Controlling Shareholders of the Company do not carry different voting rights from other Shares.

14. DIRECTORS' RECOMMENDATIONS

14.1 Proposed Whitewash Resolution

The Independent Directors, having considered and reviewed, amongst other things, the advice from the IFA, the terms and conditions, rationale, financial effects and risk factors of the Proposed Transactions and all other relevant information set out in this Circular, concur with the advice given by the IFA in respect of the Proposed Whitewash Resolution and accordingly they recommend that the Independent Shareholders vote in favour of the Proposed Whitewash Resolution.

14.2 Other Proposed Transactions

Having considered and reviewed, amongst other things, the terms and conditions, rationale, financial effects and risk factors of the Proposed Transactions, set out in this Circular, the Directors are of the opinion that:

(a) the Proposed Acquisition;

(b) the Proposed Share Consolidation;

(c) the proposed allotment and issue of the Consideration Shares;

(d) the appointment of the Proposed Directors;

(e) the proposed change of the Company's name from "Scorpio East Holdings Ltd." to "KOP Limited"; and

(f) the allotment and issue of up to 80 million Placement Shares,

are in the interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour thereof.

15. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in this Circular, will be held at 25 Tai Seng Avenue, #01-01, Scorpio East Building, Singapore 534104 on 25 April 2014 at 9:30 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the ordinary and special resolutions set out in the Notice of EGM.

16. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the relevant proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 25 Tai Seng Avenue, #06-01, Scorpio East Building, Singapore 534104, not less than 48 hours before the time set for the EGM. The completion and sending of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he wishes to do so, in place of his proxy.

Depositors with Shares credited to their Securities Accounts who wish to attend and vote at the EGM or appoint a proxy, must complete, sign and return the relevant Proxy Form completed by CDP in accordance with the instructions printed thereon as soon as possible and in any event, so as to reach the registered office of the Company at 25 Tai Seng Avenue, #06-01, Scorpio East Building, Singapore 534104, not less than 48 hours before the time set for the EGM. A Depositor with Shares credited to his Securities Account shall not be entitled to attend the EGM and to speak and vote thereat or appoint a proxy unless his name appears on the Depository Register maintained by the CDP at least 48 hours before the time set for the EGM.

17. RESPONSIBILITY STATEMENTS BY DIRECTORS

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular (other than information relating to the Target Group and the Vendors) and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts in relation to the Proposed Transactions and the Scorpio Group, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the Circular 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 the Circular in its proper form and context.

18. RESPONSIBILITY STATEMENT BY TARGET COMPANY'S DIRECTORS

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

19. CONSENTS

(a) Deloitte & Touche LLP, the Reporting Accountant, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the reports set out in **Appendices G, H and I** to this Circular and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

(b) Asian Corporate Advisors, the IFA, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the IFA's advice in respect of the Proposed Whitewash Resolution and **Appendix C**, and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

(c) Hong Leong Finance, the Financial Adviser, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and references to its name in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

(d) EY, the Independent Valuer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the report set out in **Appendix A** to this Circular and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

(e) Each of the Property Valuers, has given and has not withdrawn its written consent to the inclusion of the respective Property Valuation Reports set out in **Appendix B** to this Circular.

(f) Each of the legal adviser to the Company on the laws of Singapore and the legal adviser to the Target Company and KOPG on the laws of Singapore has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its names and references to its name in the forms and context in which it appears in this Circular. However, for the avoidance of doubt, each of the legal adviser to the Company on the laws of Singapore, and the legal adviser to the Target Company and KOPG on the laws of Singapore do not make, or purport to make, any statement in this Circular or any statement upon which a statement in this Circular is based and makes no representation express or implied regarding, and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for, any statements, information or opinions in or any omissions of this Circular.

20. INTERESTS OF FINANCIAL ADVISER AND IFA

Save for its engagement as the Financial Adviser to the Company in relation to the Proposed Transactions (where applicable), the Company does not have any material relationship with Hong Leong Finance.

Save for its engagement as the IFA to the Company in relation to the Proposed Whitewash Resolution, the Company does not have any material relationship with Asian Corporate Advisors.

21. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company during normal business hours for a period of 6 months from the date of this Circular:

(a) the Memorandum and Articles of Association of the Target Company;

(b) the Acquisition Agreements;

(c) the material contracts as set out in Section 10 of this Circular;

(d) the material contracts as set out in Section B13 of this Circular;

(e) the letter from the IFA to the Independent Directors in respect of the Proposed Whitewash Resolution;

(f) the Independent Valuation Summary Letter and Independent Valuation Report;

(g) the Property Valuation Reports;

(h) the Service Agreements;

(i) the Audited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its subsidiaries for the Financial Years Ended 31 March 2011, 2012 and 2013 set out in **Appendix G** to this Circular;

(j) the Interim Condensed Unaudited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its subsidiaries for the Six Months Ended 30 September 2013 set out in **Appendix H** to this Circular;

(k) the Unaudited Pro Forma Financial Information of the Enlarged Group set out in **Appendix I** to this Circular; and

(l) the letters of consent referred to in Section 19 of this Circular.

22. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular.

Yours faithfully

For and on behalf of
the Board of Directors of
Scorpio East Holdings Ltd.
Ko Chuan Aun
Executive Director and CEO

31 March 2014

31 March 2014

To: The Shareholders of Scorpio East Holdings Ltd.

PROPOSED ACQUISITION BY SCORPIO EAST HOLDINGS LTD. OF THE ENTIRE SHARE CAPITAL OF KOP PROPERTIES PTE. LTD. FROM THE SHAREHOLDERS OF KOP PROPERTIES PTE. LTD.

A. INTRODUCTION

This Letter has been prepared by the directors of the Target Company, on behalf of the Target Group, for inclusion in this Circular. Except where the context otherwise requires, capitalised terms defined in this Circular shall apply throughout this Letter.

B. INFORMATION ON THE TARGET GROUP

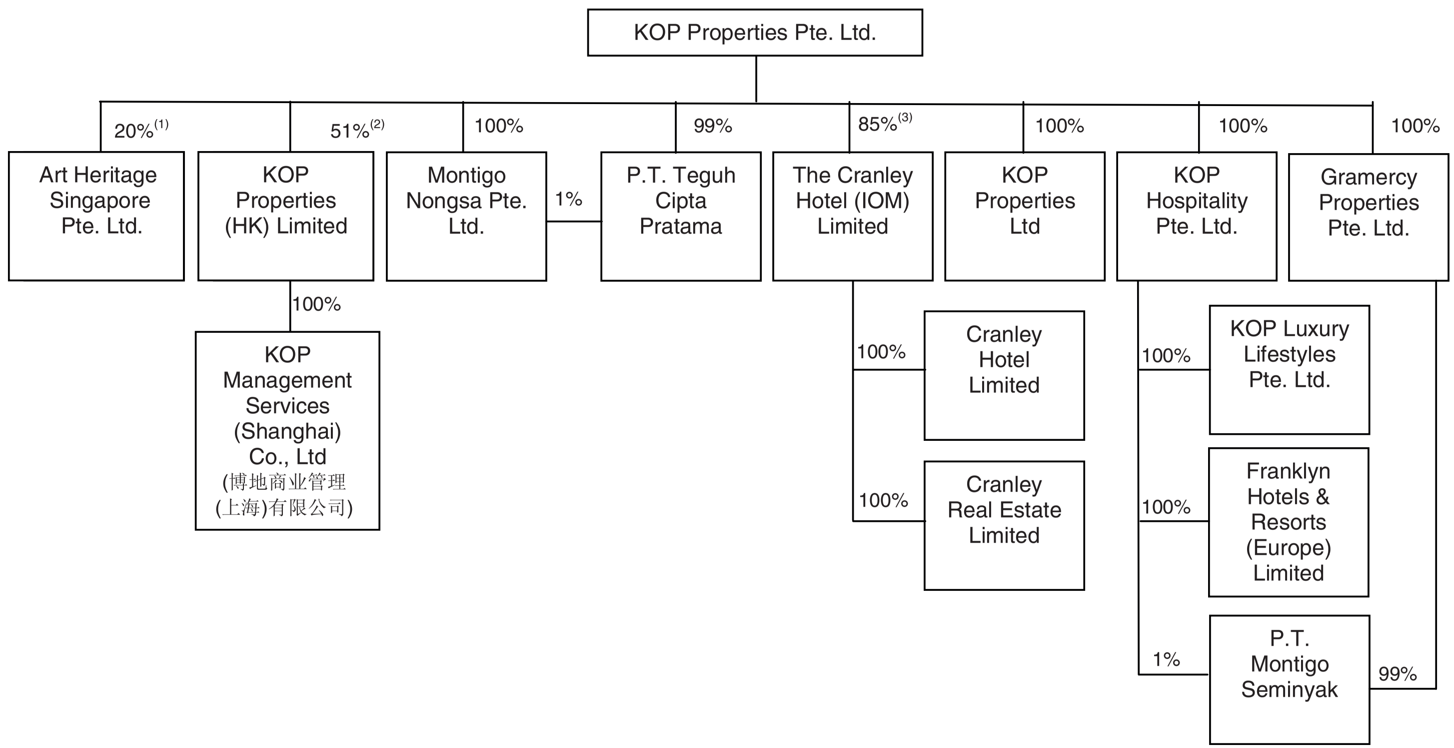
B1. BACKGROUND

The Target Company (Company Registration Number: 200809155G) was incorporated on 9 May 2008 in Singapore under the Companies Act as a private limited company. As at the Latest Practicable Date, the Target Company's issued and paid-up share capital is S$15,000,000 comprising 15,000,000 Shares. The principal activity of the Target Company is that of an investment holding company.

The Target Company's registered office and principal place of business is at 152 Beach Road, #27-01 The Gateway East, Singapore 189721. The telephone and facsimile numbers for the Target Company's registered office and principal place of business are (65) 6533 7337 and (65) 6536 7735 respectively. The Target Company's internet address is www.kopproperties.com. **Information contained in its website does not constitute part of this Letter.**

B2. GROUP STRUCTURE

The Target Group's structure as at the date of this Circular is as follows:



Notes:

(1) The remaining 80.0% interest in AHS is held by unrelated third parties.

(2) The remaining 49.0% interest in KOP Properties (HK) Limited is held by Bachmeer Capital Limited, which is wholly-owned by the Target Company's Substantial Shareholder, Wang Xuan.

(3) The remaining 15.0% interest in CH(IOM) is held by Low Kheng Hong @ Lau Kheng Hong and an unrelated third party, who hold 10.0% and 5.0% interests, respectively. Low Kheng Hong @ Lau Kheng Hong is the uncle of Ong Chih Ching, the Target Company's Executive Chairman, and Joey Ong, the Target Company's COO.

The details of the Target Subsidiaries and the Target Associated Company as at the date of this Circular are as follows:

Name of company	Date and place of incorporation	Principal business / Principal place of business	% effective ownership
Art Heritage Singapore Pte. Ltd.	26 May 2010 / Singapore	Cultural exhibition and museum / Singapore	20.0
Gramercy Properties Pte. Ltd.	21 December 2007 / Singapore	Real estate development / Singapore	100.0
KOP Hospitality Pte. Ltd.	18 September 2012 / Singapore	Management of hotels with restaurants / Singapore	100.0
KOP Luxury Lifestyles Pte. Ltd.	4 April 2011 / Singapore	Publication of journals, periodicals and magazines, and other reservation service activities / Singapore	100.0
Montigo Nongsa Pte. Ltd.	3 April 2009 / Singapore	Real estate activities with owned or leased property and business and management consultancy services / Singapore and Indonesia	100.0
P.T. Montigo Seminyak	8 April 2013 / Indonesia	Business and management consultancy / Indonesia	100.0
P.T. Teguh Cipta Pratama	7 January 2005 / Indonesia	Development and trade / Indonesia	100.0
The Cranley Hotel (IOM) Limited	22 September 2011 / Isle of Man	Property holding company / Isle of Man	85.0
Cranley Hotel Limited	20 July 2006 / UK	Provision of hotel services / UK	85.0
Cranley Real Estate Limited	27 September 2011 / UK	Property holding company / UK	85.0
Franklyn Hotels & Resorts (Europe) Limited	22 September 2009 / UK	Hospitality management services / UK	100.0
KOP Properties Ltd	18 January 2011 / UK	Letting and operation of owned or leased real estate / UK	100.0
KOP Properties (HK) Limited	3 June 2013 / Hong Kong	Property, management and consultancy / Hong Kong	51.0
KOP Management Services (Shanghai) Co., Ltd (博地商业管理(上海)有限公司)	12 September 2013 / PRC	Business operations management, brand operation management, property management, exhibition and event services (except for hosting), sales and marketing planning (excluding advertising) and business information consulting / PRC	51.0

None of the Target Subsidiaries or the Target Associated Company is listed on any stock exchange in any jurisdiction.

B3. SHARE CAPITAL

As at the Latest Practicable Date, the Target Company's issued and paid-up ordinary share capital is S$15,000,000 comprising 15,000,000 Shares. There are no other classes of shares in the Target Company's share capital. None of the Shares are held by or on behalf of the Target Company, its subsidiaries and/or associated companies.

Save as disclosed below, there were no changes in the issued and paid-up capital of the Target Company and the Target Subsidiaries within the three years preceding the Latest Practicable Date:

The Target Company

Date of Issue / Change	Number of Shares Issued	Offer Price / Consideration	Purpose of Issue / Change	Resultant Issued Share Capital
25 May 2011	10,000,000	S$10,000,000	Working capital	S$15,000,000
3 June 2011	4,736,842	S$63,840,000	Acquisition of shares in and discounted notes of Bullet Investments Limited	S$78,840,000
14 November 2012	-	-	Capital reduction(1)	S$15,000,000

Note:

(1) Due to divestment of shares in and discounted notes of Bullet Investments Limited.

PTTCP

Date of Issue / Change	Number of Shares Issued	Offer Price / Consideration	Purpose of Issue / Change	Resultant Issued Share Capital
1 December 2010	60,500	Rp 30,250,000,000	Working capital	Rp 31,500,000,000

KOP Hospitality

Date of Issue / Change	Number of Shares Issued	Offer Price / Consideration	Purpose of Issue / Change	Resultant Issued Share Capital
18 September 2012	1	S$1.00	Incorporation of company	S$1.00

KOP Luxury

Date of Issue / Change	Number of Shares Issued	Offer Price / Consideration	Purpose of Issue / Change	Resultant Issued Share Capital
4 April 2011	1	S$1.00	Incorporation of company	S$1.00

PTMS

Date of Issue / Change	Number of Shares Issued	Offer Price / Consideration	Purpose of Issue / Change	Resultant Issued Share Capital
8 April 2013	24,250	Rp 12,125,000,000	Incorporation of company	Rp 12,125,000,000
2 August 2013	72,750	Rp 36,375,000,000	Working capital	Rp 48,500,000,000

KOP Properties (HK) Limited

Date of Issue / Change	Number of Shares Issued	Offer Price / Consideration	Purpose of Issue / Change	Resultant Issued Share Capital
3 June 2013	1,000,000	HK$1,000,000	Incorporation of company	HK$1,000,000

KOP Management Services (Shanghai) Co., Ltd (博地商业管理(上海)有限公司)

Date of Issue / Change	Number of Shares Issued	Offer Price / Consideration	Purpose of Issue / Change	Resultant Issued Share Capital
12 September 2013	1,000,000	US$1,000,000	Incorporation of company	US$1,000,000

Save as disclosed in this Letter:

(a) there has not been any public take-over offer, by a third party in respect of any of the shares of any company in the Target Group or by any company in the Target Group in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of the most recent completed financial year and the Latest Practicable Date;

(b) to the extent known to the Vendors, the Target Company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government as at the Latest Practicable Date;

(c) as at the Latest Practicable Date, the Vendors are not aware of any arrangement, the operation of which may, at a subsequent date, result in a change in control of the Target Company; and

(d) as at the Latest Practicable Date, no option to subscribe for the Target Company's shares has been granted to, or was exercised by, any of its directors or CEO.

Significant Changes in Percentage of Ownership

Except as disclosed below, there were no significant changes in the percentage of ownership in the Target Company in the last three years before the Latest Practicable Date.

The following table summarises the significant changes in the shareholding interests of the directors and Substantial Shareholders of the Target Company in the last three years before the Latest Practicable Date:

	For FY						In the period between 1 April 2013 and the Latest Practicable Date	
	2011		2012		2013			
Name	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**
Directors								
Ong Chih Ching	-	-	-	-	-	-	1,372,350	9.1
Leny Suparman	-	-	-	-	-	-	644,400	4.3
Substantial Shareholders								
KOPG	5,000,000	100.0	15,000,000	76.0	15,000,000	100.0	9,000,000	60.0
Wang Xuan	-	-	-	-	-	-	1,500,000	10.0

B4. PRINCIPAL SHAREHOLDERS

As at the Latest Practicable Date, the directors and Substantial Shareholders as well as other shareholders of the Target Company, together with their shareholding in the Target Company, are as follows:

	As at the Latest Practicable Date			
	Direct Interest		Deemed Interest	
Name	**Number of Shares**	**%**	**Number of Shares**	**%**
Directors				
Ong Chih Ching(1), (5)	1,372,350	9.1	9,000,000	60.0
Leny Suparman(2), (5)	644,400	4.3	9,000,000	60.0
Substantial Shareholders				
KOPG	9,000,000	60.0	-	-
Wang Xuan(6)	1,500,000	10.0	-	-
Others				
Geraldine Ong(3), (5)	147,000	1.0	-	-
Jin Lu(3), (5)	380,000	2.5	-	-
Ang Yew Lai(3), (6)	262,500	1.8	-	-
Han Seng Juan(3), (6)	393,750	2.6	-	-
Ong Phang Hoo(3), (6)	393,750	2.6	-	-
Cho Kim Wing(3), (6)	262,500	1.8	-	-
Te Kok Chiew(3), (6)	393,750	2.6	-	-
Low Kheng Hong @ Lau Kheng Hong(4), (6)	250,000	1.7	-	-
Total	15,000,000	100.0	-	-

Notes:

(1) As at the Latest Practicable Date, Ong Chih Ching holds 62.55% of the share capital of KOPG, which holds 60.0% of the Shares in the Target Company. As such, Ong Chih Ching is deemed to be interested in the Shares held by KOPG by virtue of Section 7 of the Companies Act.

(2) As at the Latest Practicable Date, Leny Suparman holds 30.0% of the share capital of KOPG, which holds 60.0% of the Shares in the Target Company. As such, Leny Suparman is deemed to be interested in the Shares held by KOPG by virtue of Section 7 of the Companies Act.

(3) An unrelated third party to the Target Group.

(4) Low Kheng Hong @ Lau Kheng Hong is the uncle of Ong Chih Ching, the Target Company's Executive Chairman, and Joey Ong, the Target Company's COO.

(5) Acquired Shares pursuant to sale and purchase agreements dated 18 September 2013 between KOPG and each of Ong Chih Ching, Leny Suparman, Geraldine Ong and Jin Lu.

(6) Acquired Shares pursuant to binding term sheets dated 18 September 2013 between (a) Leny Suparman and each of Ang Yew Lai, Han Seng Juan, Low Kheng Hong @ Lau Kheng Hong and Ong Phang Hoo; and (b) Ong Chih Ching and each of Cho Kim Wing, Low Kheng Hong @ Lau Kheng Hong, Te Kok Chiew and Wang Xuan.

B5. HISTORY OF THE TARGET GROUP

The Target Group's business has been helmed by its founders, Ong Chih Ching, the Target Company's Executive Chairman, and Leny Suparman, the Target Company's CEO and Executive Director.

Ong Chih Ching began her career as a lawyer and was a founding partner of the Singapore law firm, Koh, Ong & Partners, where she specialised in corporate and real estate transactions. To better meet the needs of her client base of high net worth individuals and private and public equity institutions, she co-founded Koh Ong & Partners Management Services Pte Ltd in 1999, providing secretarial, consultancy and corporate management services.

Leny Suparman joined Koh Ong & Partners Management Services Pte Ltd in November 2005 as a Director of Real Estate, where she was responsible for sourcing, executing and closing real estate transactions on behalf of clients. Prior to that, she spent nine years with real estate consultancy firm, CB Richard Ellis (Pte) Ltd, where she headed the retail department and worked with well-known retail brands in redevelopment projects in Singapore and Shanghai, the PRC.

To take advantage of opportunities in the niche market of up-scale real estate developments that are innovative, progressive and trend-setting, Ong Chih Ching and Leny Suparman, in early 2006, co-founded KOPG, the Target Company's Controlling Shareholder, with Geraldine Ong as a minority shareholder.

In 2007, KOPG, led by Ong Chih Ching and Leny Suparman, acquired the sites for The Ritz-Carlton Residences and Hamilton Scotts, both residential projects in Singapore to meet an anticipated demand for high-end luxury residences. The Temporary Occupation Permit ("**TOP**") for these projects was obtained in 2011 and 2012, respectively. Under Ong Chih Ching and Leny Suparman's management, KOPG also ventured into commercial projects in 2007, originating, arranging and managing project planning and development of Scotts Spazio and 158 Cecil Street (formerly known as The Spazio).

The Target Company was founded in 2008, under the leadership and direction of Ong Chih Ching and Leny Suparman. The Target Company also acquired the entire shareholding interest in Hayden Properties, which in turn held 100.0% of the shareholding interest in Royce Properties and Sardinia Properties, which owned The Ritz-Carlton Residences and Hamilton Scotts, respectively. Since its incorporation in 2008, the Target Company has been the entity that is involved with the development and management of all projects undertaken or commenced by KOPG. Leveraging on the Target Group's management team's experience in developing residential and commercial properties, the Target Group ventured outside Singapore, and developed its hospitality business. It acquired the site for its first resort property, Montigo Resorts, Nongsa in Batam, Indonesia, which had its soft opening in 2012.

In 2010, the Target Company expanded its real estate development and hospitality business into the UK. It was first appointed as project manager to redevelop 10 Trinity Square, London, UK, into a mixed-use property comprising 41 luxury residential apartments and a 120-room luxury hotel. The Target Company subsequently acquired a 30.0% stake in this property in 2011 but divested this interest the following year.

As part of its plans to extend its hospitality business in the UK, the Target Company acquired a majority stake in Cranley Hotel through the acquisition of 85.0% of CH(IOM)'s issued share capital in 2012. The Target Company commenced its hospitality management services business by taking over KOPG's hospitality businesses, through the transfers of the entire shareholding interests in Franklyn Europe (manager of Cranley Hotel), KOP Luxury and Gramercy Properties from the KOPG Group. In the same year, certain KOPG employees, including those in management as well as corporate support functions, such as legal, human resource and information technology, were transferred to the Target Company.

The Target Company was granted a right of use of KOPG's representative office in Shanghai, the PRC in late 2012 to develop its client base and facilitate promotion of its real estate properties in the PRC. Concurrently, the Target Group incorporated KOP Management Services (Shanghai) Co., Ltd. to venture into the real estate development business in Shanghai, the PRC. In the second half of 2013, the Target Company entered into a framework agreement with Shanghai West Hongqiao Business Development Co., Ltd (上海西虹桥商务开发有限公司), an associated company of the local government in Qingpu District, Shanghai, to develop an integrated indoor winter resort in Shanghai the PRC.

In 2013, the Target Group expanded its hospitality portfolio in Indonesia by acquiring Semara Resort & Spa in Seminyak, Bali, Indonesia, which will be rebranded as "Montigo Resorts, Seminyak". The Target Company also divested its 100.0% shareholding interest in Royce Properties and Sardinia Properties, which owned The Ritz-Carlton Residences and Hamilton Scotts respectively, by transferring its entire shareholding interest in Hayden Properties to KOPG. Hayden Properties has since disposed of its entire shareholding interest in Hamilton Scotts to an unrelated third party. Notwithstanding the divestment of the Target Company's equity interest in Royce Properties, it is entitled to approximately 39.9% of the underlying economic interest in The Ritz-Carlton Residences (that is, the distributable profits of Royce Properties following the discharge of all debts of Royce Properties) through the Target Company's ownership of junior notes issued by Royce Properties.

Awards and Accolades

The following sets out the awards and accolades conferred on the Target Group and its past and existing projects:

2011

- Montigo Resorts, Nongsa was awarded "Best Villa Development (Indonesia)" at the South East Asia Property Awards 2011.

2012

- Montigo Resorts, Nongsa was awarded "Best Leisure Development (Indonesia)" at the International Property Awards (Asia Pacific 2012 – 2013).

- Hamilton Scotts was listed as "Highly Commended" in the Best Condo Development (Singapore) category at the South East Asia Property Awards 2012.

- Hamilton Scotts was awarded "Best Residential High Rise Development (Singapore)" and "Highly Commended High-rise Architecture (Singapore)" at the International Property Awards (Asia Pacific 2012 – 2013).

- The Ritz-Carlton Residences was awarded "Best Condo Development (Singapore)" at the South East Asia Property Awards 2012.

- "KOP Properties" was named as one of the winners of the "Most Promising Brand 2012" award at the Singapore Prestige Brand Awards 2012, which was jointly organised by the Association of Small and Medium Enterprises and Lianhe ZaoBao.

- The Target Company was named as one of the winners of the "Associate of the Arts Award" at the Patron of the Arts Awards 2012, which was organised by National Arts Council.

2013

- The Ritz-Carlton Residences was awarded the "Construction Excellence Award" by the BCA.

- Montigo Resorts, Nongsa was awarded a "Certificate of Excellence" by TripAdvisor, a travel website providing directory information and reviews of travel-related content.

- Montigo Resorts, Nongsa was awarded "Best Villa Development (Indonesia)" at the South East Asia Property Awards 2013.

- Montigo Resorts, Nongsa was awarded "Asia's Best Resort Residences (Indonesia)" by Property Report 2013.

- Montigo Resorts, Nongsa had Honourable Mention at the Gold Key Awards, Excellence in Hospitality Design 2013.

- Montigo Resorts, Nongsa was named as one of the winners of the "2013 Gold Circle Award" by Agoda.com, an online hotel reservations service.

- Montigo Resorts, Nongsa won the "Most Popular Property Award (Indonesia)" at the People's Choice Award 2013/14, organised by I-Property.com.

- The Target Company was named as one of the winners of the "Arts Supporter Award" at the Patron of the Arts Awards 2013, which was organised by National Arts Council.

B6. THE TARGET GROUP'S BUSINESS

B6.1 Business Overview

The Target Group is a Singapore-based real estate development, investment and management services company with projects in Singapore, Indonesia, the PRC and the UK. The Target Group has three operating business segments: real estate development and investment, real estate origination and management services and hospitality business. It has an integrated business model, with capabilities ranging from investment structuring, conceptualisation of a project, in-house project management, the sale and marketing of completed units and the provision of real estate management services. These in-house capabilities enable the Target Group to build and increase brand awareness, create innovative product offerings with quicker time to market whilst maintaining the quality of its projects.

The Target Group provides unique living and leisure experiences delivered through a broad range of distinctive real estate and hospitality projects. It focuses on quality workmanship, interior design, architecture and landscaping for its projects, which are complemented by high-quality services for owners, guests and residents.

The Target Group also develops projects targeted at the aspiring affluent property owner who wants to experience the unique lifestyle which its projects offer. For instance, for Montigo Resorts, Nongsa, the Target Group believes that it has created a product which offers customers a holiday home with entertainment facilities suitable for multi-generational families, quality finishes and unique concepts incorporating the culture and characteristics of its environment.

Apart from Montigo Resorts, the Target Group has interests in the following properties: The Ritz-Carlton Residences in Singapore, through its 39.9% underlying economic interest in the project, and Cranley Hotel in the UK, through its 85.0% shareholding interest in CH(IOM).

In the PRC, the Target Group focuses on promoting its real estate properties as well as real estate development business. It has entered into a framework agreement to develop an integrated indoor winter resort in Shanghai. Plans for the resort include the construction of residential, commercial, retail and hospitality spaces in the resort, as well as other entertainment facilities such as a theme park, hiking trail and beach club.

The Target Company signed an option agreement with KOPG on 3 February 2014 for the purchase of 1,851.83 Class A units (equivalent to a 55.0% shareholding interest) in Victory Hill Exhibitions, LLC ("**VHE**"). VHE has been granted a licence by Marvel Characters B.V. ("**Marvel**") which enables VHE to hold public exhibitions in relation to Marvel's fictional comic characters, The Avengers (i.e. Iron Man, The Incredible Hulk, Captain America and Thor). The exhibitions may be held in the United States, Canada and any additional territories which may be included pursuant to negotiations between VHE and Marvel. This option, if exercised by the Target Company, creates a binding obligation on KOPG to sell its units in VHE to the Target Company, thereby allowing the Target Group to diversify its business to include event management and entertainment. For further information on the option agreement, please refer to "Past Interested Person Transactions for the Target Group – Option Agreement in relation to Class A Units in VHE".

B6.2 The Target Group's Business Segments

Real Estate Development and Investment

The Target Group acquires interests in real estate directly or through investment or property holding companies. Such real estate can be developed or redeveloped into distinctive properties such as The Ritz-Carlton Residences and Hamilton Scotts or improved through additions and alterations works or more elaborate asset enhancement works. These acquisitions may be undertaken wholly by the Target Group or together with other investors.

The Target Group is currently undertaking the development of a seafront resort, Montigo Resorts, Nongsa in Batam, Indonesia which had the opening for its first phase in June 2012, and intends to carry out asset enhancement works for Montigo Resorts, Seminyak to increase the number of rooms in the resort as well as to improve the resort's architecture, room interiors and facilities such as the spa and food and beverage establishments. Development of Montigo Resorts, Nongsa and enhancement works for Montigo Resorts, Seminyak are expected to be completed in 2016.

Depending on factors such as the costs of development, expected investment returns, supply and demand conditions and changes in government regulations and policies in the markets in which it operates, the Target Group may enter into long-term lease or sale agreements in relation to the units in the properties that it owns. Currently, the villas and residences in Montigo Resorts, Nongsa are available for long-term lease. The term of such agreements will generally expire when the title of the land on which the relevant property is sited expires. In consideration for the lease granted to them, lessees make a one-time payment to the Target Group which comprises, among others, a lease premium and the price of furniture, fittings and equipment (the "**Total Package**"). In its financial statements, the Target Group recognises revenue from the Total Package paid by a lessee as a sale of such a unit upon delivery of vacant possession.

For Montigo Resorts, Nongsa, the Target Group has introduced a scheme in which the Target Group manages and maintains the villas and residences on behalf of the lessees. In consideration for the provision of these management services, the Target Group is entitled to a portion of the rental income generated by the relevant unit.

Such a business model enables the Target Group to generate recurrent income whilst allowing it to take advantage of the growth potential in the capital value of the properties in which it has interest.

In November 2013, the Target Group entered into a framework agreement with Shanghai West Hongqiao Business Development Co., Ltd (上海西虹桥商务开发有限公司), an associated company of the local government in Qingpu District, Shanghai, to develop an integrated indoor winter resort in Shanghai. The proposed plan for this project is to develop residential, commercial, retail and hospitality spaces in the resort, as well as other entertainment facilities such as a theme park, hiking trail and beach club. This project is planned to be built on an 18-hectare site, with a GFA of approximately 45 hectares. Construction is expected to commence at the end of 2014 and be completed by 2018. As at the Latest Practicable Date, the Target Group is preparing a tender proposal for the land use rights in respect of this site.

The Target Group derives revenue from the Total Package paid by lessees of units in Montigo Resorts, Nongsa, as well as a share of the profits in The Ritz-Carlton Residences through its 39.9% underlying economic interest in Royce Properties, a wholly-owned subsidiary of KOPG, which holds The Ritz-Carlton Residences.

Real Estate Origination and Management Services

The Target Group also provides real estate origination and management services for third parties. These services include site or development selection, planning, architecture and interior design. Once the site has been selected and the design finalised, it structures the financing of the project and oversees its construction or the additions and alterations works.

Revenue from its real estate origination and management services mainly comprises management fees and incentive fees received by the Target Group from third parties. In addition, the Target Group also earns incentive fees from the sale and leasing of units in The Ritz-Carlton Residences, under a sales and marketing agreement with Royce Properties.

Completed projects in which the Target Group's management team had been instrumental in providing such services include The Ritz-Carlton Residences, Hamilton Scotts, 158 Cecil Street and Scotts Spazio. In each of these projects, the Target Group's management team has demonstrated their ability to conceptualise and introduce innovative features such as the sky garage in Hamilton Scotts.

In 2013, the Target Group agreed to provide project management services as well as marketing services in relation to the Singapore Pinacotheque de Paris. The Singapore Pinacotheque de Paris is a modern art museum and lifestyle centre in Singapore, with food and beverage and retail outlets, as well as spaces for corporate events.

Hospitality Business

The Target Group's resorts in Batam and Bali will be operated under its in-house "Montigo Resorts" brand, and they are targeted primarily at multi-generational families, with a variety of leisure activities available at each resort. Each resort provides for different generations with varying interests and pursuits.

The Target Group also owns and manages Cranley Hotel, a boutique hotel in London which comprises three Victorian-styled townhouses dating back to 1869. Cranley Hotel caters primarily to the affluent segment of the tourist market as well as discerning business travellers.

Revenue from its hospitality business mainly comprises management fees, room rates paid by travellers, food and beverage sales and revenue from other activities and other offerings in the resorts and hotel.

B6.3 Overview of Projects in which the Target Group has an interest or it manages

Existing Projects

The following are the projects the Target Group is currently developing, or holds an interest in.

The Ritz-Carlton Residences, Singapore, Cairnhill

As at the Latest Practicable Date, all unsold units in this project are owned by Royce Properties. KOPG wholly owns the ordinary shares of Hayden Properties, which wholly owns the ordinary shares of Royce Properties.

The Target Company retains approximately 39.9% of the underlying economic interest in the development (that is, the distributable profits of Royce Properties following the discharge of all its debts), through its holding in the junior notes issued by Royce Properties.

Address	65 Cairnhill Road, The Ritz-Carlton Residences, Singapore 229721
Tenure	Freehold
Gross Site Area	5,432 sq m
Total GFA	179,352 sq ft
Net Saleable Floor Area	177,088 sq ft
Acquisition Date	May 2007
Completion Date (TOP)	August 2011
Total number of units	58
Aggregate Market Value of remaining unsold units (as at 31 October 2013)	S$384.6 million
Units unsold as at 31 October 2013	34
Units sold as at the Latest Practicable Date	26

Located close to Orchard Road, Singapore's prime shopping and entertainment district, residents and tenants are provided with facilities such as a free form swimming pool, 34-metre lap pool, hydro pool, gymnasium, aqua gymnasium, cafe, lounge area, library and wine cellar, as well as an open gourmet kitchen and dining area, which are fully serviced and managed by The Ritz-Carlton.

The following is a breakdown of the types of units within the project:

Type	Level	Saleable Area	No. of Units
Three-Bedroom	5 – 23	2,831 sq ft	36
Four-Bedroom	25 – 33	3,057 sq ft	18
Junior Penthouse	34	3,574 sq ft	2
Penthouse	35	6,501 sq ft	2

The Target Group has entered into a sales and marketing agency agreement with Royce Properties, pursuant to which it will among other things, market the available units in The Ritz-Carlton Residences for sale and lease, and actively participate in negotiations with potential purchasers and/or lessees. Under this arrangement, it is entitled to a fee of 2.0% to 3.0% of the purchase price for each unit sold to a purchaser introduced by it or a fee equivalent to one month's rental for every year of the lease term.

The Ritz-Carlton Residences was awarded "Best Condo Development (Singapore)" at the South East Asia Property Awards 2012 and a "Construction Excellence Award" by the BCA in 2013.

The Singapore Pinacotheque de Paris

The Target Group holds a 20.0% shareholding interest in AHS which manages the Singapore Pinacotheque de Paris, a modern art museum and lifestyle centre, with food and beverage and retail outlets, as well as spaces for corporate events. The Singapore Pinacotheque de Paris is located at 5 Cox Terrace, Singapore 179618.

Note:

(1) Based on artist's impression only which may not be fully representative of the actual property upon completion of the redevelopment works.

Address	5 Cox Terrace, Singapore 179618
Gross Site Area	77,653 sq ft
Total GFA	58,766 sq ft

AHS is redeveloping and reinstating the property, as well as operating the Singapore Pinacotheque de Paris.

Further, on 1 March 2013, KOPG entered into a shareholders' agreement with Art Museum Diffusion Group Pte. Ltd., Alain Vandenborre, Art Heritage Group N.V. and AHS, pursuant to which KOPG agreed to subscribe for a 20% shareholding interest in AHS, with the objective of establishing and operating an art museum known as the Singapore Pinacotheque de Paris (the "**Shareholders' Agreement**"). Pursuant to the Shareholders' Agreement, KOPG undertook to act as the manager for the redevelopment and reinstatement work of the property. KOPG subsequently outsourced its obligations under the Shareholders' Agreement to the Target Company via a project management services agreement dated 1 March 2013.

The Target Company will earn a fee to fulfil these obligations which include, but are not limited to, appointing and working with the building contractor, consultants and other third parties to develop the design, specifications, project budget and coming up with the overall project timeline and ensuring that the necessary permissions, approvals or permits from the relevant authorities having jurisdiction or control over the redevelopment are submitted and secured. In addition, the Target Company is obligated to take such protective or preventive measures as may be necessary and render reasonable assistance as may be required for the removal of artefacts or articles (including historical or military artefacts or articles) and in the handover of the same to the National Parks Board of Singapore and/or the Singapore government.

In addition, on 1 March 2013, the Target Company entered into a marketing services agreement with AHS, pursuant to which the Target Company agreed to provide marketing services in respect of the leasing of the retail area of the Singapore Pinacotheque de Paris. In consideration of its provision of such service, the Target Company is entitled to a monthly fee amounting to 10.0% of the monthly gross rent for the retail area.

On 27 March 2014, the Target Company acquired KOPG's 20.0% shareholding interest in AHS for an aggregate consideration of S$1,150,000, comprising (a) S$600,000 for the shareholding interest in AHS, and (b) S$550,000 for advances provided to AHS by KOPG. In addition, pursuant to the acquisition, KOPG's rights, liabilities and obligations under the Shareholders' Agreement were transferred to the Target Company on 27 March 2014. Consequently on 27 March 2014, the Target Company terminated its project management services agreement with KOPG and entered into the same with AHS.

Scotts Spazio

Scotts Spazio is wholly-owned by Scotts Spazio Pte. Ltd., a company in which KOP-Scotts Pte. Ltd. holds a 5.0% shareholding interest. Ong Chih Ching, the Target Company's Executive Chairman, and Leny Suparman, the Target Company's CEO and Executive Director, each hold a 48.0% shareholding interest in KOP-Scotts Pte. Ltd..

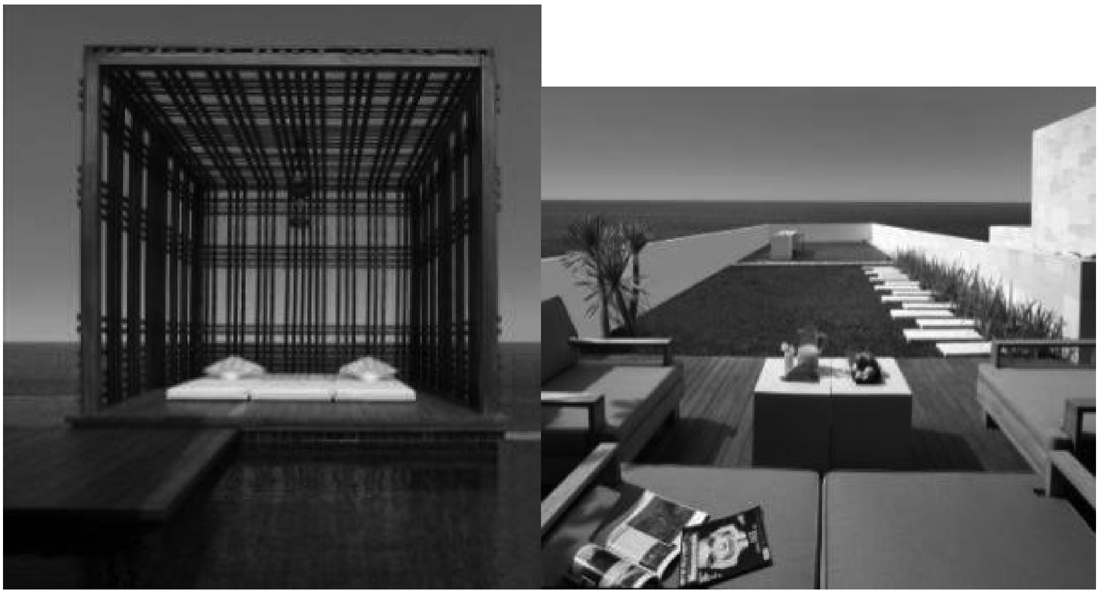
Address	51 Scotts Road, Singapore 228241
Gross Site Area	112,418 sq ft
Total GFA	168,403 sq ft
Completion (TOP)	16 September 2008

Scotts Spazio is a commercial development which was built in 10 months. Scotts Spazio is located on the first transitional office site released by URA. Situated next to Newton Mass Rapid Transit ("**MRT**") station and at the junction of Scotts Road and Bukit Timah Road, the project offers an alternative to offices in the Central Business District. It is fully occupied as at the Latest Practicable Date.

The Target Company was retained to provide property management services which include inspection of the premises to ensure it is in satisfactory condition, overseeing all repairs and routine maintenance works and attending to complaints or queries for this development. In consideration of its provision of such service, the Target Company is entitled to management fees.

Montigo Resorts, Nongsa

Montigo Resorts, Nongsa is wholly-owned through the Target Subsidiary, PTTCP. The resort is managed by the Target Subsidiary, KOP Hospitality.



Address	Jalan Hang Lekir, Sambau Sub District, Nongsa District, Batam City, Riau Islands Province, Indonesia
Tenure	HGB, expiring in January 2038
Gross Site Area	120,444 sq m
Total GFA	72,485 sq m
Net lettable area	Approximately 683,260 sq ft
Acquisition Date	July 2008
Completion of Phase 1(1)	June 2012
Completion of Phase 2(2)	June 2013
Scheduled Completion of Phase 3(3)	2016
aluation (as at 31 October 2013, based on market value on an "as is" basis)	S$67.7 million
Valuation (as at 31 October 2013, based on potential value as if completed)	S$91.7 million
Total number of units	88 villas and 108 residences
Units leased as at the Latest Practicable Date	53 villas and 20 residences

Notes:

(1) Phase 1 refers to the development of 88 villas and the resort's reception, dining and spa facilities.

(2) Phase 2 refers to the development of part of the 108 residences and facilities such as the beach club and kids' club.

(3) Phase 3 refers to the development of the remaining residences.

The project had its soft opening in June 2012. The property is situated on a 12–hectare seafront site in Batam, Indonesia. All villas and residences are built on a sloping terrain, affording each one with views of the sea. The resort is within easy access from Singapore via a 30-minute private yacht transfer operated by KOPG's nautical hospitality arm Aqua Voyage Pte. Ltd., or a local ferry ride from the Tanah Merah Ferry Terminal.

The villas and residences are offered for lease and the Target Group will manage the villas and residences pursuant to which, the Target Group is appointed as sole and exclusive manager for the administration and maintenance of a lessee's unit, with absolute discretion to rent and/or promote the unit to members of the public. For further information on these lease and management agreements, please refer to "The Target Group's Business Segments – Real Estate Development and Investment".

Various types of accommodation will be offered by Montigo Resorts, Nongsa upon its completion in 2016, as set out below:

Type	No. of Bedrooms	Land Area (sq ft)	Built-up Area (sq ft)	No. of Units
Villa	2	1,834 to 1,987	4,108 to 4,260	88
Residence	Studio	788 to 1,554	788 to 1,554	85
	3	6,996 to 21,011	6,889 to 9,136	20
	4	18,174	6,964	1
	5	19,557	7,513	1
	6	14,787	14,768	1

The resort offers facilities such as restaurants, meeting and conference rooms, executive lounge, spa, concierge, pool bar, retail store, gymnasium, games room, kids' club, beach club, tennis courts, water sports centre and private jetty.

For FY2013, with only the villas receiving guests, the resort's average number of available villas, average occupancy, average room rates and REVPAR was as follows:

	FY2013
Average number of available rooms	1,363
Average occupancy (%)	55.0
Average room rate (S$)	234
REVPAR (S$)	102

Montigo Resorts, Nongsa was awarded "Best Villa Development (Indonesia)" at the South East Asia Property Awards 2011, "Best Leisure Development (Indonesia)" at the International Property Awards (Asia Pacific 2012 – 2013), a "Certificate of Excellence" by TripAdvisor in 2013, "Best Villa Development (Indonesia)" at the South East Asia Property Awards 2013, an Honourable Mention at the Gold Key Awards, Excellence in Hospitality Design 2013, "Most Popular Property Award (Indonesia)" at the People's Choice Award 2013/2014 organised by I-Property.com. and named as one of the winners of the "2013 Gold Circle Award" by Agoda.com.

Montigo Resorts, Seminyak (currently known as "Semara Resort & Spa")

Montigo Resorts, Seminyak is wholly-owned through the Target Subsidiary, PTMS.

Note:

(1) Based on artist's impression only which may not be fully representative of the actual property upon completion of the asset enhancement works.

Address	Jalan Petitenget, Seminyak Sub-District, North Kuta District, Badung Region, Bali Province, Indonesia
Tenure	Leasehold
Gross Site Area	10,730.35 sq m
Current Building Area	76,930 sq ft
Total GFA following asset enhancement works	151,089 sq ft
Net Lettable Area following asset enhancement works	113,174 sq ft
Acquisition Date	June 2013
Scheduled Completion Date of asset enhancement works	2016
Approximate Number of Rooms following asset enhancement works	156
Valuation (as at 31 October 2013, based on market value on an "as is" basis)	US$25.4 million
Valuation (as at 31 October 2013, based on potential value as if asset enhancement works are completed)	US$54.5 million

The resort in centrally located in Seminyak, Bali's shopping and dining district, and within walking distance to the beach. It is situated adjacent to well-known restaurants, Ku De Ta and Potato Head Beach Club.

As at the Latest Practicable Date, the resort is leased to an unrelated third party until 31 January 2015. Following the expiry of this lease, the Target Group will take over the property and commence asset enhancement works to increase the number of rooms in the resort as well as to enhance the resort's architecture and the room interiors. These works are expected to be completed in 2016.

Upon completion of such works, the resort is expected to have a total of 156 rooms and the Target Group intends to operate the resort under its brand "Montigo Resorts, Seminyak". Montigo Resorts, Seminyak is designed to cater for multi-generational families and will have amenities such as a kids' club, bars for young adults and spa facilities for adults.

Cranley Hotel

The Target Group holds an 85.0% interest in Cranley Hotel, through the Target Subsidiary, CHL. The hotel is managed by the Target Subsidiary, Franklyn Europe.

Address	8, 10 and 12 Bina Gardens, South Kensington, London SW5 0LA, UK
Tenure	Freehold
Gross External Area[1]	17,211 sq ft
Acquisition Date	September 2012
Number of rooms	39
Valuation (as at 31 October 2013, based on market value on an "as is" basis)	£14.2 million

Note:

(1) As prescribed by the Code of Measuring Practice published by the Royal Institute of Chartered Surveyors, UK.

Cranley Hotel, a boutique hotel situated in the Royal Borough of Kensington and Chelsea, London, comprises three Victorian townhouses which date back to 1869. The 39-room hotel is a short walk to the museums and major attractions of London. The shopping areas of Knightsbridge, such as Harrods and Harvey Nichols, and Kings Road are a short walk away; while nearby Gloucester Road and South Kensington stations provide easy access to the City and West End. The hotel is two miles from Paddington and Victoria stations, where express train services to London's Heathrow and Gatwick Airports respectively operate.

Cranley Hotel offers accommodation designed in traditional English style. The furnishings in the hotel reflect the rich history and legacy of the building. To enhance guests' experience, conveniences such as concierge and business services, room service and complimentary Wi-Fi internet access throughout the hotel are made available. Cranley Hotel caters primarily to the affluent segment of the tourist market as well as discerning business travellers.

For FY2013, Cranley Hotel's average number of available rooms, average occupancy, average room rates and REVPAR were as follows:

	FY2013
Average number of available rooms	1,186
Average occupancy (%)	76.1
Average room rate (£)	160.39
REVPAR (£)	122.10

Past Projects

The following are past projects undertaken by the Target Group as well as projects initiated by KOPG since 2007 prior to the incorporation of the Target Company. The Target Company, upon its incorporation, developed and/or provided management services for these projects.

Hamilton Scotts

The Target Group's interest in Hamilton Scotts via Sardinia Properties was fully divested in April 2013. As at the Latest Practicable Date, Sardinia Properties is wholly-owned by an unrelated third party.

Note:

(1) Based on artist's impression only which may not be fully representative of the actual property upon completion of the development.

Address	37 Scotts Road, Singapore 228229
Gross Site Area	35,880 sq ft
Total GFA	165,510 sq ft
Net Saleable Area	163,870 sq ft
Completion (TOP)	June 2012

The distinctive feature of the development is its elevated en-suite sky porches, dubbed as "sky garages", in every unit, a concept unique to Asia.

In consideration of its provision of project management services for the development of Hamilton Scotts, the Target Group was paid management fees.

The project was awarded "Best Residential High Rise Development (Singapore)" and "Highly Commended High-rise Architecture (Singapore)" at the International Property Awards (Asia Pacific 2012 – 2013). Hamilton Scotts has become a landmark building and has been frequently featured in many property publications in the region.

The Spazio (now known as 158 Cecil Street)

158 Cecil Street is wholly-owned by an unrelated third party.

Address	158 Cecil Street, Singapore 069545
Gross Site Area	11,511 sq ft
Total GFA	128,922 sq ft
Completion (TOP)	28 August 2009

158 Cecil Street is located in the Central Business District of Singapore and is within walking distance of Raffles Place and Tanjong Pagar MRT stations and the Marina Bay area. The building was acquired in October 2007 and KOPG was appointed as manager to arrange and manage the planning and development of the project, which encompassed additions and alterations works that comprised renovating the first to tenth floors and increasing the net lettable area of the building by adding four floors. KOPG completed the project in 2009 and the redeveloped building was renamed "The Spazio".

In consideration of its provision of project management services for the redevelopment of The Spazio, KOPG was paid management fees.

10 Trinity Square

10 Trinity Square is wholly-owned by an unrelated third party.

Address	10 Trinity Square, London EC3N 4AJ, UK
Gross External Area(1)	461,373 sq ft

Note:

(1) As prescribed by the Code of Measuring Practice published by the Royal Institute of Chartered Surveyors, UK.

10 Trinity Square is a Grade-II listed building in London's EC3 financial district. It is the former headquarters of the Port of London Authority and commands views of the City, the River Thames and the Tower Bridge. Designed in 1922 by Sir Edwin Cooper in the Beaux-Arts style, it served as the reception venue following the inaugural address of the General Assembly of the United Nations in 1946.

The Target Company was appointed as project manager for the redevelopment of 10 Trinity Square. Plans for the redevelopment of 10 Trinity Square included the addition of 41 luxury residential apartments and a 120-room luxury hotel.

In June 2011, the Target Group acquired a 30.0% stake in this property but divested such interest in September 2012. Its appointment as project manager for the redevelopment of 10 Trinity Square was terminated when its interest in the property was divested.

In consideration of the Target Company's provision of project management services for the redevelopment of 10 Trinity Square, it was paid management fees.

B6.4 Business Process

The key stages of the Target Group's business process are as follows:

Strategy Formulation

The Target Group's business cycle begins with the formulation of its overall development strategy and investment plan. It will analyse and consider key matters such as product, target segment, location and budget. Once its overall development and investment strategy is formulated, the Target Group will then evaluate potential investment proposals and decide on the amount of investment it is prepared to commit to each project.

Site Identification, Evaluation and Acquisition

The Target Group's investment department will identify projects or real estate acquisitions which can be developed or redeveloped into distinctive properties, taking into account factors such as (a) zoning plans or city planning restrictions imposed by the government for the relevant site, (b) accessibility of the area and the available supporting infrastructure, (c) marketability of the development and consumer demand for properties in that area, (d) convenience and accessibility to the city centre, and (e) costs of development, investment and relevant financial return ratios.

After a potential site is shortlisted, the Target Group will undertake further site evaluation, market research and feasibility studies to determine the viability, profitability and risks of the project. If the assessment is positive, it will engage a professional architect and other consultants to conduct detailed feasibility studies, to provide estimates of construction costs and assist it in determining the maximum valuation of the site.

The decision to acquire and develop a site is then subject to an in-house process with consideration of the following: the concept and design of the project, legal structure, whether value-added design elements can be incorporated, location and the ability to provide a positive return on investment. The general economic outlook and population growth trends in these locations are also taken into account.

Once the results of these evaluations are deemed satisfactory, the Target Group will make a private offer, participate in a tender or a government land sales programme, or submit a bid for the site, as the case may be.

The Target Group will, depending on, among others, its financial condition, decide on the appropriate mix of debt and equity funding to fund its acquisitions.

Design and Project Planning and Appointment of Professional Consultants

Upon the successful acquisition of a site, the Target Group's project management team will work with the design committee to produce a design brief for the project. It will then appoint a team of professional consultants which usually comprise an architect, an interior designer, a structural engineer, a cost consultant and a mechanical and electrical engineer.

The Target Group's project management team and sales team will work closely with the consultants to produce a detailed design brief which outlines requirements for the project such as the optimal mix of different types of units to achieve maximum space efficiency. Based on the detailed design brief, the consultants will prepare a schematic design for the project, which would be reviewed, re-worked and improved to meet the required specifications and budget established by the Target Group's management.

In addition, the resource management staff within the project management team will review the material specifications for each project and their respective pricing. This material selection process will ensure the suitability of materials and that their respective costs are within budget.

Approvals, licences and building plan clearances necessary for the sale and construction of the project will also be obtained at this stage.

Construction and Development of Projects

Prior to the commencement of construction, contractors are pre-qualified and invited to participate in the relevant tenders. Contractors who are successful in the tenders are then appointed as main contractor or nominated sub-contractors.

The architect for the project will generally, with the help of the other project consultants, the project manager and the Target Group's project management team, be primarily responsible for the administration of the construction contract.

Notwithstanding the above, the Target Group explores various models of construction management to ensure investors' returns are maximised without compromising on quality and time. For example, for The Ritz-Carlton Residences, a main contractor was appointed to manage the entire construction process, although certain sub-contractors were nominated by the Target Group's project management team for cost and quality control. However, for Scotts Spazio and Hamilton Scotts, it contracted directly with different sub-contractors without a main contractor. This allowed it to directly control each area of construction work and resulted in substantial cost savings.

Completion

For Singapore projects, once construction works are completed, an application will be submitted to the BCA for the issuance of TOP in respect of the project. Upon receipt of TOP, vacant possession of the units in the project will be delivered to the purchasers or tenants.

For overseas projects, the relevant authorities, qualified person or contractors will issue a construction completion certificate.

Sales and Marketing

The Target Group will commence sales and marketing efforts for each project once it obtains approval from the relevant authorities.

For further details, please refer to "Sales and Marketing".

Quality Assurance

The Target Group aims to deliver quality products to its customers and its quality assurance process ensures consistency in the quality of its products, to maintain its reputation and market standing.

In relation to the development of the Target Group's projects, quality assurance begins with ensuring that its contractors (including sub-contractors and suppliers), project managers, architects and other building professionals have relevant experience and proven track records.

The pre-qualification of the main contractors and sub-contractors ensures that only those with the required licences, expertise and experience participate in the relevant tenders. The nomination of sub-contractors allows the Target Group to ensure that the cost, timing and quality of sub-contract works meet its requirements.

Members of the Target Group's project management team will be based on-site throughout the construction process to monitor construction and ensure that building standards and timelines are met. Its project management team includes technically trained professionals in areas such as architecture, quantity surveying and civil and structural engineering. The team members conduct regular inspections to ensure each stage is constructed according to specifications. Regular meetings are held with the architects, project manager, main contractor and sub-contractors to better manage the construction process.

Mock-up units are constructed in accordance with the required specifications, quality and functionality. The mock-up units allow the refining of design and specifications to achieve a better quality product for end-users whilst at the same time minimising abortive works to save time and cost.

The Target Group further seeks to maintain high quality standards at its hospitality properties. Its guests are requested to complete a survey after they have visited the properties. The Target Group uses the feedback they provide to assess areas where it can make improvements. The general manager at the hospitality properties also makes daily rounds to ensure that they are operated to the standards the Target Group sets.

B6.5 Sales and Marketing

As part of the Target Group's sales efforts, it operates a centralised in-house sales and marketing team to increase bookings for its hospitality properties, as well as project sales.

The Target Group's senior management is actively involved in sales by leveraging on the networks of its business partners. For example, in 2012, during the Olympic Games and the Queen's Diamond Jubilee in London, the Target Group invited prospective and existing clients to an event held at 10 Trinity Square, to engage past and potential customers.

Hospitality Sales

The Target Group's corporate sales team introduces travel industry partners to its hotels, offers consultative support to the hotel-based sales teams and monitors sales activity quality and effectiveness. It ensures industry sales best practice is adopted and shares industry trends and competitor updates with the rest of the Target Group to aid overall strategic direction. The team also coordinates an international sales mission plan which may include participation in key industry events, such as ILTM (International Luxury Travel Market) or ITB (International Tourism Bourse), and sales road shows where pre-scheduled face-to-face strategy meetings and product update presentations are conducted with selected clients.

The Target Group's hotel-based sales teams are responsible for generating revenue in line with the respective hotel business plans for sales of room night bookings as well as meetings, conferences, social and corporate group incentives. These are done through direct representations, sales efforts and partnerships with industry partners.

In addition, a hotel within the Target Group's hospitality business may also choose to register with approved sales representation companies to expand the scope of their sales and marketing coverage. In the case of Montigo Resorts, Nongsa, the selected partner is currently Preferred Hotel Group, a group of hospitality properties around the world, which globally represents the property through their sales and marketing network.

Real Estate Sales

The Target Group's in-house sales and marketing team adopts a multi-channel sales approach for its projects. These include regular advertisements on print and online media, and bi-monthly involvement in roadshows, property exhibitions and lifestyle events.

The Target Group has galleries where several of its sales events and roadshows are held. It also uses KOPG's branch office in Shanghai, the PRC, as a platform for sales support, where sales initiatives include the regular organisation of property exhibitions to promote its projects.

The Target Group also engages external agents for each project. The in-house sales team supervises and conducts training for external agents to ensure they possess adequate product knowledge and skills to highlight the unique features of each project.

The in-house sales team undergoes regular training on product information and techniques on presentation, negotiation and effective closing of a sale.

Customer Relationship Management

The Target Group has invested in an online customer relationship management programme to capture and manage all aspects of the sales process from generation, management and successful conversion of prospects. This enables its sales and marketing team to better understand and engage its prospective clients and buyers. With a readily available report on customer information and analysis, the development of appropriate customer acquisition and retention programmes can be quickly and effectively executed for optimal results.

Customer Service

The Target Group maintains a customer care programme where feedback from customers is collated and, where necessary and appropriate, an action plan is implemented in response to such feedback. Other activities which allow the Target Group to maintain a relationship with its customers include updating them on the development progress of their purchases through newsletters or e-newsletters, invitations to the Target Group's new property launches and openings, and promotions and events organised by the KOPG Group. It also provide its customers with copies of LUX Magazine, an in-house quarterly magazine published by KOP Luxury, which showcases up-scale, trendy luxury lifestyle products and services including its projects.

Brand Management and Marketing Communications

Branding is key to the Target Group's corporate identity to build credibility, loyalty and create competitive advantage. As such, it partners strategic businesses such as banks and luxury labels to roll out marketing and communications initiatives.

Utilising various distribution channels to enhance the visibility of its brand and developments, the Target Group's projects are typically marketed through advertisements in luxury, travel and consumer publications and television. The Target Group also utilises print, broadcast and electronic media. In addition, it works with relevant third party businesses and brands to create lifestyle and industry events.

With a belief in innovation, the Target Group continues to employ new ways of reaching out to its stakeholders. Examples of such efforts can be seen in its Facebook page and media pitches on digital platforms such as websites and blogs.

B6.6 Major Customers

The Target Group's customers consist primarily of corporate customers and individual purchasers of its projects and guests to its hospitality properties. The customers who accounted for 5.0% or more of the Target Group's revenue for FY2011, FY2012 and FY2013 are set out below:

	Percentage of total revenue (%)		
Major Customers	**FY2011**	**FY2012**	**FY2013**
Scotts Spazio Pte. Ltd.	5.7	2.9	0.9
Bullet Investments Limited	55.4	33.5	4.1
Royce Properties Pte. Ltd.[(1)]	38.9	41.4	8.8
Sardinia Properties Pte. Ltd.[(1)]	-	22.2	15.6

Note:

(1) From FY2011 to FY2013, the Target Group wholly owned the ordinary shares of Royce Properties and Sardinia Properties. On 16 April 2013, the Target Company divested its equity interest in these entities. Notwithstanding the Target Company's divestment, it is entitled to approximately 39.9% of the underlying economic interest in The Ritz-Carlton Residences (that is, the distributable profits of Royce Properties following the discharge of all debts of Royce Properties) through its ownership of junior notes issued by Royce Properties.

For Scotts Spazio Pte. Ltd., the Target Group received management fees from FY2011 to FY2013, in consideration of the property management services provided for Scotts Spazio. The Target Group received fixed management fees in each respective financial year. The decrease in the above percentages was due to an increase in the Target Group's total revenue from FY2011 to FY2013.

For Bullet Investments Limited, the Target Group received management fees from FY2011 to FY2013, in consideration of the project management services provided for the redevelopment of 10 Trinity Square. The fees received by the Target Group did not fluctuate significantly from FY2011 to FY2012. The decrease in the above percentages from FY2011 to FY2012 was due to an increase in the Target Group's total revenue in the same period. From FY2012 to FY2013, the above percentages decreased due to (a) the termination of the Target Company's appointment as project manager when its interest in 10 Trinity Square was divested in September 2012; and (b) an increase in the Target Group's total revenue in the same period.

For Royce Properties, the Target Group received management fees from FY2011 to FY2013, in consideration of project management services provided for The Ritz-Carlton Residences. The decrease in the above percentages from FY2012 to FY2013 was due to an increase in the Target Group's total revenue in the same period.

For Sardinia Properties, the Target Group received management fees from FY2012 to FY2013 in consideration of project management services provided for Hamilton Scotts, construction of which commenced in FY2012. Despite an increase in fees from FY2012 to FY2013, the decrease in the above percentages over the same period was due to an increase in the Target Group's total revenue.

The Target Company's directors believe that its business and profitability will not be materially affected by the loss of any single customer and are currently not dependent on any particular industrial, commercial or financial contract with any customer.

Save as disclosed above, to the best of the Target Company's directors' knowledge, they are not aware of any information or arrangements which would lead to a cessation or termination of its current relationship with any of its major customers.

Save as disclosed below, none of the Target Company's directors or Substantial Shareholders and their respective associates has any interest, direct or indirect, in any of its major customers set out above.

Scotts Spazio Pte. Ltd. is a company in which KOP-Scotts Pte. Ltd. holds a 5.0% shareholding interest. Ong Chih Ching, the Target Company's Executive Chairman, and Leny Suparman, the Target Company's CEO and Executive Director, each hold a 48.0% shareholding interest in KOP-Scotts Pte. Ltd..

B6.7 Major Suppliers

From FY2011 to FY2013, the major suppliers to the Target Group in its real estate development and investment business were mainly contractors. The suppliers who accounted for 5.0% or more of its total costs of construction for FY2011, FY2012 and FY2013 are set out below:

	Percentage of total costs of construction (%)		
Major Suppliers	**FY2011**	**FY2012**	**FY2013**
P.T. Nusacipta Indonesia	39.4	14.2	2.6
P.T. Jatim Mustika Nusa	50.0	16.6	1.5
C.V. Surya Mitra Abadi	1.2	10.6	3.9
P.T. Tunas Jaya Sanur	-	21.9	39.7
C.V. Pusaka Bertuah	-	-	13.1
P.T. Phangnesia Jaya Sentosa	-	5.4	9.9

From FY2011 to FY2013, the major suppliers to the Target Group were mainly contractors for the construction works at Montigo Resorts, Nongsa. The fluctuations in the above percentages were a result of different stages in the construction life cycle of the project.

P.T. Nusacipta Indonesia, P.T. Jatim Mustika Nusa and P.T. Phangnesia Jaya Sentosa were mainly contractors engaged for the construction of the villas. C.V. Surya Mitra Abadi was engaged to provide mechanical and electrical works. P.T. Tunas Jaya Sanur was engaged to provide superstructure works. C.V. Pusaka Bertuah was engaged to construct and provide retaining walls and slope protection works.

In the Target Group's hospitality business, which it commenced after FY2012, it outsources its maintenance needs where specialised expertise is required and its hotel reservations systems to third party service providers. None of these suppliers accounted for 5.0% or more of the Target Group's total cost of construction for FY2011, FY2012 or FY2013.

The Target Company's directors believe that its business and profitability will not be materially affected by the loss of any single supplier and are currently not dependent on any particular industrial, commercial or financial contract with any supplier. It generally does not enter into long-term or exclusive contracts with any of its suppliers so as to allow it flexibility in terms of pricing, quality and timeliness of delivery.

To the best of the Target Company's directors' knowledge, they are not aware of any information or arrangements which would lead to a cessation or termination of its current relationship with any of its major suppliers.

None of the Target Company's directors or Substantial Shareholders and their respective associates has any interest, direct or indirect, in any of its major suppliers set out above.

B6.8 Credit Policy

Credit terms to the Target Group's customers with respect to its Real Estate Development and Investment Business

For uncompleted residential developments in Singapore, the Target Group adheres to the Housing Developers (Control and Licensing) Act and the Housing Developers Rules. An option to purchase is issued when an option fee is paid and the option has to be exercised within a stipulated time frame. The purchaser then executes a sales and purchase agreement and payment for the unit purchased is collected in accordance to a payment schedule.

Upon the issuance of the Certificate of Statutory Completion and Certificates of Title or Subsidiary Strata Certificates of Title relating to the units in the development, the developer will be released from its liabilities under the Housing Developers (Control and Licensing) Act. Future sales of the completed units can take place upon issuance of an option to purchase, with payment of an option fee (normally ranging from 5.0% to 10.0% of the purchase price). The remainder will be paid at completion of the purchase which takes approximately three months after issuance of the option.

For Montigo Resorts, Nongsa, the Target Group typically secures the commitment of a prospective lessee through the signing of an option form under which a fee is paid. Upon signing the lease agreement, lessees are required to make payment of the Total Package in accordance with the payment scheme selected by them.

Generally, the payment schemes available are cash and instalment plans.

For a lessee who fails to settle payment within the stipulated periods, the Target Group may give the lessee not less than 30 days prior written notice of its intention to terminate the lease agreement and (unless in the meanwhile the unpaid sums are fully paid) it shall be entitled after the expiry of such notice to terminate the lease agreement immediately and forfeit all sums paid by the lessee.

As at 31 March 2011, 2012 and 2013 and 30 September 2013, the Target Group's trade receivables balances were approximately S$8.0 million, S$12.0 million, S$8.2 million and S$1.2 million, respectively, comprising mainly amounts due from associates and investees for management services provided.

Credit terms from the Target Group's suppliers

The Target Group's main suppliers are principally building contractors and the method of payment to these contractors is based on the progress payment scheme in accordance with the agreed stages of completion, including the construction phases of the development properties, subject to certification by an architect or quantity surveyor, the terms and conditions agreed and stipulated in the engagement contracts.

These suppliers typically grant credit terms ranging from 30 to 60 days upon delivery of goods or services.

As at 31 March 2011, 2012 and 2013 and 30 September 2013, the Target Group's trade payables balances were approximately S$2.5 million, S$6.6 million, S$6.9 million and S$5.2 million respectively, comprising mainly amounts due to contractors.

B6.9 Inventory Management

Due to the nature of the Target Group's business, it does not possess any material inventory.

B6.10 Insurance

As at the Latest Practicable Date, the Target Group has taken out the following insurance policies:

(a) group accidental death & dismemberment;

(b) group hospitalisation & surgical;

(c) group term life / total and permanent disability / disability provider; and

(d) work injury compensation.

For its development projects, the Target Group requires its contractors to be covered by contractor's all risks and work injury compensation insurances during the construction period and defects liability period of the relevant project. Upon TOP being obtained, the responsibility for insurance of each individual unit will typically be passed to the purchasers. In the case of unsold development properties, the Target Group will take up insurance for each individual unit. In the case of completed properties, it, or the management corporation of the relevant development once it has been formed, will take up fire and public liability insurance in relation to common property.

The above insurance policies are reviewed annually to ensure that the Target Group has sufficient insurance coverage. The Target Company's directors are of the view that the insurance coverage from the above insurance policies is sufficient for its present operations. However, significant damage to its operations, whether as a result of fire or other causes, may still have a material adverse effect on the Target Group's results of operations or financial condition. Also, it is not insured against, for example, business interruption. If such events were to occur, the Target Group's business may be adversely affected. For further details, please refer to "Appendix E — Risk Factors".

B6.11 Awards and Accolades

The following awards and accolades have been conferred on the Target Group and its existing projects:

Year	Recipient / Development	Award	Awarding Organisation
2011	Montigo Resorts, Nongsa	Best Villa Development (Indonesia)	South East Asia Property Awards 2011, organised by Ensign Media Co. Ltd.
2012	Montigo Resorts, Nongsa	Best Leisure Development (Indonesia)	International Property Awards (Asia Pacific 2012 – 2013), organised by International Property Media Ltd.
	The Ritz-Carlton Residences	Best Condo Development (Singapore)	South East Asia Property Awards 2012, organised by Ensign Media Co. Ltd.
	The Target Company	Most Promising Brand 2012	Singapore Prestige Brand Awards 2012, jointly organised by the Association of Small and Medium Enterprises and Lianhe Zaobao

Year	Recipient / Development	Award		Awarding Organisation
	The Target Company	Associate of the Arts Award		Patron of the Arts Awards 2012, organised by National Arts Council
2013	The Target Company	Arts Supporter Award		Patron of the Arts Awards 2013, organised by National Arts Council
	The Ritz-Carlton Residences	Construction Excellence Award		BCA
	Montigo Resorts, Nongsa	Certificate of Excellence		TripAdvisor
		Best Villa Development (Indonesia)		South East Asia Property Awards 2013, organised by Ensign Media Co. Ltd.
		Asia's Best Resort Residences (Indonesia)		Asia's Best Resort Residences by Property Report 2013, organised by Ensign Media Co. Ltd.

Year	Recipient / Development	Award	Awarding Organisation
		Honourable Mention	Gold Key Awards, Excellence in Hospitality Design 2013, presented by Boutique Design Magazine and HOTELS Magazine
		Gold Circle Award	Agoda.com
		Most Popular Property Award (Indonesia)	People's Choice Award 2013/2014, organised by I-Property.com

The following awards and accolades have been conferred on the Target Group's past projects:

Year	Recipient / Development	Award	Awarding Organisation
2012	Hamilton Scotts	Best Residential High-rise Development (Singapore)	International Property Awards (Asia Pacific 2012 – 2013), organised by International Property Media Ltd.

Year	Recipient / Development	Award	Awarding Organisation
		Highly Commended High-rise Architecture (Singapore)	
		Highly Commended in the Best Condo Development (Singapore) category	South East Asia Property Awards 2012, organised by Ensign Media Co. Ltd.

B6.12 Intellectual Property

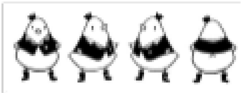
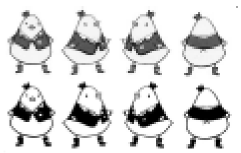
As at the Latest Practicable Date, the Target Group owns the following registered trademarks:

Mark	Country	Class(es)	Trademark No.	Registration Date	Expiry Date	Status
1	UK	36[1] and 37[2]	2589364	6 January 2012	27 July 2021	Registered
2	UK	36[1], 37[2] and 42[3]	2589295	4 November 2011	27 July 2021	Registered
3	Singapore	36[1], 37[2] and 42[3]	T1200656I	17 January 2012	17 January 2022	Registered
4	Singapore	36[1], 37[2] and 42[3]	T1200657G	17 January 2012	17 January 2022	Registered

	Mark	Country	Class(es)	Trademark No.	Registration Date	Expiry Date	Status
5	"Montigo Resorts"	Indonesia	36(4) and 43(5)	IDM000300634	5 April 2011	7 July 2019	Registered
6	"Montigo Resorts"	Singapore	36(4) and 43(5)	T0906805B	22 June 2009	22 June 2019	Registered
7	KOP PRO PER TIES	PRC	36(1) 42(3)	9922559 9922557	7 November 2012	6 November 2022	Registered
8	KOP PRO PER TIES KOP PROPERTIES	PRC	36(1) 37(2) 42(3)	9922562 9922561 9922560	7 November 2012 14 November 2012 7 November 2012	6 November 2022 13 November 2022 6 November 2022	Registered
9	"We Build Your Dreams"	PRC	37(2) 42(3)	9922564 9922563	14 May 2013 14 November 2012	13 May 2022 13 November 2022	Registered
10	"KOP Properties We Build Your Dreams"	Singapore	35(6), 36(1), 37(2) and 42(3)	T1203187C	8 March 2012	8 March 2022	Registered
11	KOP	Indonesia	36(1) 37(2)	IDM000300324	5 April 2011	3 July 2019	Registered

As at the Latest Practicable Date, the Target Group has applied for registration the following trademarks:

	Mark	Country	Class(es)	Application No.	Filing Date	Status
1	KOP PRO PER TIES	PRC	37(2)	9922558	2 September 2011	Pending
2	KOP PRO PER TIES	Indonesia	36(1) 37(2) 42(3)	J00.2011.034963 J00.2011.034952 J00.2011.034956	26 August 2012	Pending
3	KOP PRO PER TIES KOP PROPERTIES	Indonesia	36(1) 37(2) 42(3)	J00.2011.034968 J00.2011.034950 J00.2011.034953	26 August 2011	Pending

	Mark	Country	Class(es)	Application No.	Filing Date	Status
4	**TILO**	Singapore	28[7] and 41[8]	T1307596C	13 May 2013	Pending
5		Singapore	28[7] and 41[8]	T1307598Z	13 May 2013	Pending
6		Singapore	28[7] and 41[8]	T1307597A	13 May 2013	Pending
7	**TILO**	Indonesia	28[7] and 41[8]	D002013028482	14 June 2013	Pending
8		Indonesia	28[7] and 41[8]	D002013028481	14 June 2013	Pending
9	**TILO**	PRC	28[7] and 41[8]	12772683 / 12772682	19 June 2013	Pending
10		PRC	28[7] and 41[8]	12772681 / 12772680	19 June 2013	Pending
11	"We Build Your Dreams"	Indonesia	36[1] 37[2] 42[3]	J00.2011.030308 J00.2011.030310 J00.2011.030311	6 November 2013	Pending

Notes:

(1) Management of real estate; investment asset management; real estate investment services; commercial property investment services; commercial real estate agency services; property leasing (real estate property only); consultation services in relation to the above services; provision of information in relation to the above services.

(2) Real estate development; building project management; supervision of construction projects; supervision of building construction; construction services in relation to the above services.

(3) Real estate planning; offsite building project management.

(4) Real estate time-share services; accommodation leasing services for resort and vacation locations; real estate brokerage services; apartment house, condominium and real estate management services.

(5) Reservation of hotel accommodation; consultancy services relating to hotel facilities; hotel restaurant services; hotels; provision of information relating to hotels; resort hotel services; restaurants, cafes; bars.

(6) Business project management; business management and administration of real estate, temporary accommodation, residential and commercial properties, hotels, resorts, buildings and developments; publicity services; organisation of housing and real estate displays and exhibitions for promotion or advertising purposes; advisory and consultancy services in relation to the above services.

(7) Toys; educational toys; soft toys; stuffed toys; toy figures; articles of clothing for toys; educational playthings; games; model toys; plush figures (toys).

(8) Amusement centre services; arranging and conducting of colloquiums, concerts, conferences, congresses, lectures, reunions, seminars, symposiums, workshops (training); arranging group recreational activities; arranging of exhibitions for cultural, educational, entertainment and training purposes; arranging parties; children's adventure playground

services; children's entertainment services; charitable services, namely education and training; club services (entertainment or education); electronic publication of information on a wide range of topics, including online and over a global computer network; event management services (organisation of educational, entertainment, sporting or cultural events); kindergarten services (education or entertainment); providing facilities for entertainment, recreation and sports events; provision of social club services; publication of electronic books and journals online; publishing by electronic means; information, advisory and consultancy services relating to the aforesaid services.

Pursuant to a licence agreement dated 30 April 2013, and as varied on 27 March 2014, between the Target Company and KOPG, KOPG has granted the Target Company the right to use the "KOP" mark in the PRC and Singapore in relation to the goods and services for which those trademarks have been registered. KOPG has also consented to the Target Company's use of the "KOP" mark worldwide, subject to the laws of the relevant countries. In addition, KOPG has irrevocably appointed the Target Company to procure the necessary registration of the "KOP" mark in the countries and in the businesses that the Target Company requires, provided that the Target Company shall bear the cost of such registration. The licence fee payable by the Target Company to KOPG is S$1,000 per annum for the duration of the agreement, which is for a period of 100 years from the date of the agreement. The agreement is subject to early termination by KOPG if:

(a) the Target Company commits a breach of any of the terms of the agreement which remains unremedied for 30 days from the date of notice of breach from KOPG;

(b) the Target Company uses the trademark in any illegal, immoral or disparaging manner or in a manner which would impair the goodwill in the trademark or bring KOPG into ill repute; and/or

(c) the Target Company becomes insolvent or ceases, whether voluntarily or not, to carry on business.

In the event that KOPG intends to use the "KOP" mark in any of its future businesses, it will seek concurrence from the Directors, such consent not to be unreasonably withheld, after assessing the potential reputational risk of each of KOPG's future businesses, with Ong Chih Ching, Leny Suparman and/or any other Director who is a director and/or Controlling Shareholder of KOPG abstaining from voting. In addition, the Company shall make an announcement to notify Shareholders of the same.

Save as disclosed above, the Target Group has not paid nor received any royalties for any licence or use of any intellectual property.

Save as disclosed above, the Target Group does not have any patents, licences, trademarks or other intellectual property rights which are material to its business or profitability.

B6.13 Research and Development

From FY2011 to FY2013, the Target Group did not undertake research and development activities due to the nature of its business.

B6.14 Licences, Certificates and Approvals

To the best of its knowledge, the Target Group has obtained all necessary permits, approvals and licences required for its business and operations. As at the Latest Practicable Date, save for those disclosed below, in "Appendix E — Risk Factors" and "Appendix F — Government Regulations" of this Circular, the Target Group's business and operations are not subject to any special legislation or regulatory controls which have a material effect on its business and operations other than those generally applicable to companies and businesses operating in Singapore, Indonesia and the UK.

For a summary of the relevant laws and regulations applicable to the Target Group, please refer to "Appendix F — Government Regulations".

The following are the main licences, permits, approvals, certificates and awards issued and/or granted to the Target Group which are essential for the business operations of the Target Group:

Holder	Date of grant / expiry date	Licence and certificate	Awarding Organisation / Authority
PTTCP	9 July 2008 / 13 January 2038	*Surat Keputusan* (Title Deed)	*Otorita Pengembangan Daerah Industri Pulau Batam* (Industry Development Authority of Batam)
	7 December 2009 / None	*Kerangka Acuan Analisis Dampak Lingkungan Hidup (KA-ANDAL)* (Environmental Impact Assessment)	*Walikota Batam* (Mayor of Batam)
	24 December 2013 / 19 December 2014	*Izin Mendirikan Bangunan (IMB)* (Permit to Establish Building)	*Pemerintah Kota Batam Sekretariat Daerah* (Government Official of Batam, Area Secretariat)
	6 April 2011 / 12 August 2014	*Tanda Daftar Perusahaan (TDP)* (Certificate of Company Registration)	*Pemerintah Kota Batam Dinas Perindustrian, Perdagangan, Energi dan Sumber Daya Mineral* (Government Official of Batam for Industry, Trading, Energy and Mineral Resources)
	17 February 2014 / None	*Tanda Daftar Usaha Pariwisata (TDUP)* (Hotel Business Licence)	*Pemerintah Kota Batam - Dinas Pariwisata Dan Kebudayaan* (Batam City Government, Department of Tourism and Culture)
Cranley Hotel	3 July 2002 / None	Certificate of Lawful Existing Use or Development for Class (C1) Hotel Use	The Royal Borough of Kensington and Chelsea Council
	20 May 2010 / None	Premises Licence permitting sale by retail of alcohol, playing of recorded music, regulated entertainment for private use and provision of late night refreshments	The Royal Borough of Kensington and Chelsea Council

B6.15 Competition

The Target Group's business comprises real estate development and investment, hospitality and real estate origination and management.

In relation to real estate development and investment, the property market in Singapore is highly competitive with strong competition from established industry players with more resources and funding or a longer track record than the Target Group. The Target Group competes by offering unique products with a strong emphasis on design, concept and branding. Thus, the competition it faces from other property developers may vary on a project to project basis, with the main areas of competition being primarily design concepts, size, location, pricing and quality of the development.

The Target Group's Singapore projects are situated in District 9, the prime residential district in Singapore and it expects to face competition from neighbouring developments that may share a similar location or sale prices within the same range as its developments. Apart from competition for potential purchasers of residential units, it may face competition in the acquisition of development sites, whether through government land sales programmes, public auctions, private tenders or en bloc sales. To the best of its knowledge, the Target Group considers competing luxury property developments to be those developed by local property development companies such as SC Global Developments Limited, Wheelock Properties (Singapore) Limited and regional companies such as YTL Corporation Berhad.

The Target Group's hospitality properties comprise two resorts in Indonesia and one hotel in London, the UK.

With respect to the resorts market, the Target Group believes that it faces strong competition from established local and international industry players who have been operating multi-generational resorts in key resort areas. It believes that these competitors include Club Med and hotels in the Marriott group. It believes that the Montigo Resorts brand differs from its competitors, in that it offers services catered to all generations. Within each of its resorts, Montigo Resorts offers a party zone, kids zone and a quiet zone that cater for young people, children and the elderly, respectively. These zones do not overlap with each other and thus offer each age group their own space during their stay at the resort.

With regard to the London market, the Target Group considers the following properties to be its primary competitors: The Pelham, The Draycott Hotel, Savora The Rembrandt Hotel, The Gore Hotel, Firmdale Number 16 and Firmdale Knightsbridge. It believes that Cranley Hotel differs from its competitors, in that owing to its size in relation to its competitors, it is able to offer personalised services to its guests.

Given that the Target Group may in the future undertake projects of differing natures, including commercial developments, serviced apartments and mixed-use developments, the profile of its competitors may accordingly change over time.

For further information on the impact of competition on the Target Group, please refer to "Appendix E — Risk Factors".

None of the Target Company's directors or Substantial Shareholders or their associates is related to or has any interest in any of its competitors listed above.

B6.16 Competitive Strengths

The Target Group believes that it is able to compete effectively with the following competitive strengths:

Strong conceptualisation capabilities

The Target Group believes that its management team's past and existing projects are iconic with unique selling propositions.

The Target Group's management team developed the first stand-alone Ritz-Carlton Residences outside North America. Creative space planning allowed the integration of an extensive range of facilities and amenities which include two swimming pools, a maze garden, a library lounge and an entire floor dedicated to banquet events with an open concept kitchen. It is also the first condominium development in Singapore to provide breakfast and tea services for its residents. These facilities and amenities are supplemented by services provided by Ritz-Carlton personnel, differentiating The Ritz-Carlton Residences from other competing developments.

Hamilton Scotts is a unique condominium project in that it is the first development in Asia with a sky garage for each unit. The Target Group believes this sets Hamilton Scotts apart from other competing developments. This project demonstrates the Target Group's management team's creativity in conceptualising and building projects that are different and iconic.

The Target Group formulated its brand "Montigo Resorts" to develop hospitality properties focusing on guests of various interests and multi-generational families. Notably, Montigo Resorts, Nongsa has won several accolades and awards, some of which were conferred prior to its soft opening and completion of the entire resort.

The above concepts have become the signature features of the Target Group's projects. These capabilities enable it to preserve brand integrity, create innovative product offerings and preserve its premium positioning in the markets in which it operates.

Dedicated in-house capabilities

The Target Group has an experienced and qualified team in project and hospitality management, as well as sales and marketing.

The Target Group's organisation, planning and management of all aspects of construction, pre-qualification and tender of main contractors and sub-contractors often enable its projects to be completed on schedule with significant cost savings, without compromising on functionality, aesthetics or finishing. For example, its real estate and project management team (during its employment with the KOPG Group before its transfer to the Target Company) successfully completed Scotts Spazio, a commercial building with total lettable area of about 150,000 sq ft, in nine months, as well as major additions and alterations to 158 Cecil Street, another commercial building, in 10 months.

In addition, the Target Group has internal capabilities in hospitality management, distinct from most real estate developers. Properties developed under the "Montigo Resorts" brand will immediately have access to systems, standard operating procedures and guidelines which enable the Target Group to deliver a world class product. The Montigo Resorts concept also is a niche product in the hospitality industry with its clear focus on guests of various generations and interests.

The Target Group's two-pronged sales and marketing approach of an in-house sales force and an external agent complements its unique offerings, allowing it to achieve a standard of personalised service commensurate with its unique projects.

After its sales department has completed the sales process with its customers, the customer care programme of the Target Group commences, where feedback from customers is collated and, where necessary and appropriate, an action plan is implemented in response to such feedback. The Target Group also carries out other activities which allow it to maintain a relationship with customers such as updating them on the development progress of their purchases through newsletters or e-newsletters, invitations to its new property launches and openings, and promotions and events. The Target Group also provides customers with copies of LUX magazine, an in-house magazine published by KOP Luxury, which showcases upscale and trendy luxury lifestyle products and services including the projects of the Target Group.

A committed and experienced management team

The Target Group's success is supported by its experienced and committed management team, led by the Target Company's Executive Chairman Ong Chih Ching and the Target Company's CEO and Executive Director Leny Suparman. Their extensive experience in the real estate industry has enabled the Target Group to identify new opportunities and grow its business.

The Target Group also has a creative professional team of committed employees with experience in real estate, leisure and hospitality development, sales and marketing, creative deal structuring, financing, as well as project and asset management. It also encourages continuous professional development of its employees through external training courses and in-house training programmes that are tailored to their respective job scopes and responsibilities.

B6.17 Staff and Training

Staff

A breakdown of the number of employees of the Target Group by business function and by geographical location as at the end of each of FY2011, FY2012 and FY2013 is as follows:

Segmented by Function	As at 31 March 2011	As at 31 March 2012	As at 31 March 2013
Executive Management	3[1]	3	7
Sales and marketing / customer service	9	16	22
Project management	7	23	30
Finance and accounting	4	10	16
Investment	3	2	1
Hotel operations	–	35	182
General administration	3	25	64
Total[2]	**29**	**114**	**322**

Segmented by Geographical Location	As at 31 March 2011	As at 31 March 2012	As at 31 March 2013
Singapore	22	33	58
PRC	2	2	2
Indonesia	4	76	238
UK	1	3	24
Total[(2)]	**29**	**114**	**322**

Notes:

(1) The Target Group's executive management were seconded by its Controlling Shareholder, KOPG, to it at cost in FY2011.

(2) The number of employees increased from 30 as at 31 March 2011 to 322 as at 31 March 2013 due to the growth and expansion of the Target Group.

The Target Group's employees are not unionised. The relationship and cooperation between the management and staff has always been good and is expected to continue in the future. There has not been any incidence of work stoppages or labour disputes which affected its operations.

Pension or retirement benefits

As at the Latest Practicable Date, save for the amounts set aside or accrued in respect of mandatory employee funds, the Target Group has not set aside or accrued any amounts to provide pension, retirement or similar benefits to its employees.

Training

The Target Group has a structured training programme which includes an employee orientation programme, a fire and safety training course as well as on-the-job training. In addition, it provides subsidies or other forms of support for its employees who wish to take up courses. It also sends its employees to attend vocational courses in areas such as construction, work safety and finance, conducted by relevant government bodies to further enhance their technical expertise.

An extensive training programme is adopted by the Target Group's hospitality business. To emphasise its brand's values, it implements various levels of service workshops and a code of conduct training. A daily line-up is conducted at all levels before a shift commences to constantly reinforce service excellence.

B6.18 Properties, Plant and Equipment

As at the Latest Practicable Date, the Target Company and the Target Subsidiaries owned the following properties:

Owned by	Location	Tenure	Approximate Gross Area	Net saleable / lettable area	Encumbrances	Usage
PTTCP	Jalan Hang Lekir, Sambau Sub - District, Nongsa District, Batam City, Riau Islands Province, Indonesia	HGB title for 30 years[(1)]	1,296,447 sq ft	683,260 sq ft	Mortgaged to CIMB Niaga	Resort
CHL	8, 10 and 12 Bina Gardens, London SW5 0LA, UK	Freehold	17,211 sq ft	17,211 sq ft	Mortgaged to UOB, London Branch	Hotel

Note:

(1) The HGB title may be extended for 20 years and may be subsequently extended for a further 30 years subject to fulfilment of certain conditions.

As at the Latest Practicable Date, the Target Company and the Target Subsidiaries leased the following properties:

Leased by	Location	Tenure	Approximate Gross Area	Rental	Lessor	Usage
PTMS	Jalan Petitenget, Seminyak Sub-District, North Kuta District, Badung Region, Bali Province, Indonesia	7 June 2013 to 1 July 2034	10,730.35 sq m	Rp 12,747,430,000 in aggregate	I Made Rai Yasa	Resort
The Target Company	152 Beach Road #27-01/04 The Gateway East Singapore 189721	Three years from 30 December 2013	6,112 sq ft	S$39,116 per month (inclusive of service charge)	Gateway Land Limited	Office

B6.19 Seasonality

The Target Group's real estate development and investment business and real estate origination and management services are not affected by seasonal changes in demand. However, its financial performance is project based, and may fluctuate from year to year, depending on factors such as the timing of construction milestones and its ability to secure new project management contracts.

The Target Group's hospitality business is affected by normally recurring seasonal patterns. In the absence of unusual circumstances, demand for its hospitality properties will generally be higher in the second half of the calendar year. The weather patterns of the locations where the Target Group operates and of its key geographic customer segments, as well as their holidays, are the major factors creating these seasonal patterns. The Target Group drives business during periods of low demand by engaging corporate companies with competitive meeting packages and families or independent travellers with promotions like spa or golf packages. In addition, promotions targeting birthday or wedding celebrants are held during these low seasons as well.

B6.20 Order Book

As the Target Group's properties are not built to order, it does not have order books.

Notwithstanding the above, it has confirmed sales of units in existing uncompleted property development projects that are yet to be recognised as revenue in past financial years. For overseas properties, revenue and cost on development properties that have been sold are recognised using the completed contract method. Under the completed contract method, revenue and cost on development properties that have been sold are recognised when the construction of the development properties is completed and the risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or an equitable interest in a property.

As at the Latest Practicable Date, the aggregate of the Target Group's confirmed sales of its existing uncompleted property development projects that are yet to be recognised as revenue in the financial years up to FY2013 amounted to approximately S$20.4 million. Of this amount and based on the current estimated completion schedules of its existing uncompleted property development projects, approximately S$6.1 million is expected to be recognised by end of FY2014 and approximately S$14.3 million is expected to be recognised in FY2017.

B6.21 Corporate Social Responsibility

The Target Group engages in corporate social responsibility efforts, with particular focus on arts related causes. These include film and theatre production sponsorships as well as supporting the corporate social responsibility efforts of theatre companies such as Singapore Repertory Theatre's endeavour to host children from an Indonesian orphanage at Montigo Resorts, Nongsa. In addition, it also supports causes that alleviate poverty as well as remove gender based barriers, and help create a society of equal opportunity.

The Target Group also supports The Red Pencil, a charitable foundation which facilitates art therapy for children stricken with long-term hospitalisations due to disease. Such art therapy workshops are also conducted in partnership with the Singapore Pinacotheque de Paris to expose other children and their parents to the cause and the benefits of the activity.

In addition, Montigo Resorts, Nongsa engages its surrounding community by employing approximately 30.0% of its employees from the local community. Staff from the resort also visit the villagers during festivals like Hari Raya to assist in cleaning the villages and sharing food and donations. Montigo Resorts, Nongsa further supports children from the local orphanage through donations and combined activities such as Christmas carolling.

B7. SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial information of the Target Group should be read in conjunction with the full text of this Letter, including "Appendix G — Audited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its Subsidiaries for the Financial Years ended 31 March 2011, 2012 and 2013" and "Appendix H — Interim Condensed Unaudited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its Subsidiaries for the Six Months ended 30 September 2013".

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(S$'000)	**Audited FY2011 (Restated)[(2)]**	**Audited FY2012 (Restated)[(2)]**	**Audited FY2013**	**Unaudited HY2013**	**Unaudited HY2014**
Revenue	6,099	12,000	41,046	19,230	11,893
Cost of sales	-	-	(22,375)	(9,960)	(6,609)
Gross profit	6,099	12,000	18,671	9,270	5,284
Gain from bargain purchase	14,534	2,087	-	-	-
Other income/(expense) - net	28	999	2,128	914	4,736
Expenses					
Administrative expense	(5,131)	(8,698)	(14,979)	(6,231)	(8,630)
Finance expense	(100)	(1,476)	(1,486)	(692)	(765)
Share of results from interest in associate	1,626	5,775	1,098	(625)	(299)
Share of results from investment in an associated company	-	(240)	-	-	-
Profit before tax	17,056	10,447	5,432	2,636	326
Income tax expense	(791)	(1,875)	(4,039)	(2,620)	(68)
Profit for the year/period	16,265	8,572	1,393	16	258
Other comprehensive (loss)/income:					
Items that will be reclassified subsequently to profit or loss					
Exchange differences on translation	-	(1)	89	64	(65)
Total comprehensive income for the year/period	16,265	8,571	1,482	80	193

(S$'000)	Audited FY2011 (Restated)[(2)]	Audited FY2012 (Restated)[(2)]	Audited FY2013	Unaudited HY2013	Unaudited HY2014
Profit attributable to:					
Equity holders of the Company	16,275	8,607	1,393	9	124
Non-controlling interests	(10)	(35)	-	7	134
	16,265	8,572	1,393	16	258
Total comprehensive income attributable to:					
Equity holders of the Company	16,275	8,606	1,483	73	57
Non-controlling interests	(10)	(35)	(1)	7	136
	16,265	8,571	1,482	80	193
EPS (S$ per share)[(1)]	3.26	0.47	0.08	0.001	0.01

Notes:

(1) For comparative purposes, EPS for the periods under review has been computed based on the net profit attributable to equity holders of the Target Company for the relevant financial period and the weighted average number of ordinary shares outstanding during the relevant financial period.

(2) Please refer to Note 35 of "Appendix G — Audited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its Subsidiaries for the Financial Years Ended 31 March 2011, 2012 and 2013".

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at (S$'000)	Audited 31 March 2011 (Restated)(2)	Audited 31 March 2012 (Restated)(2)	Audited 31 March 2013	Unaudited 30 September 2013
ASSETS				
Current assets				
Cash and bank balances	4,545	8,293	2,335	5,957
Trade and other receivables	20,017	83,587	15,828	3,411
Other current assets	24	4,383	2,253	554
Development properties	12,316	27,157	30,002	52,324
Inventories	-	-	237	266
	36,902	123,420	50,655	62,512
Non-current assets				
Investment in an associated company	-	-	-	-
Interest in associate	37,039	46,276	44,927	35,608
Available-for-sale investments	2,000	2,000	2,000	-
Property, plant and equipment	820	4,256	34,728	39,704
Intangible assets	-	-	2	1
Deferred tax assets	897	1,720	1,064	1,626
	40,756	54,252	82,721	76,939
Total assets	**77,658**	**177,672**	**133,376**	**139,451**
LIABILITIES				
Current liabilities				
Trade and other payables	26,560	24,852	37,758	42,695
Borrowings	19,967	29,640	34,685	6,673
Sales proceeds received in advance	-	-	3,380	628
Current tax liabilities	1,700	3,404	4,407	3,927
	48,227	57,896	80,230	53,923
Non-current liabilities				
Borrowings	98	-	15,304	41,920
Sales proceeds received in advance	10,216	17,847	7,406	10,073
Deferred tax liabilities	1,158	1,559	1,835	1,799
	11,472	19,406	24,545	53,792
Total liabilities	**59,699**	**77,302**	**104,775**	**107,715**
NET ASSETS	**17,959**	**100,370**	**28,601**	**31,736**
EQUITY				
Share capital	5,000	78,840	15,000	15,000
Other reserve	-	-	(1,684)	1,258
Foreign currency translation reserve	-	(1)	88	21
Retained profits	12,924	21,531	13,944	14,068
Shareholder's equity	**17,924**	**100,370**	**27,348**	**30,347**
Non-controlling interest	35	-	1,253	1,389
Total equity	**17,959**	**100,370**	**28,601**	**31,736**
NAV per share (S$ per share)(1)	3.59	5.09	1.91	2.12

Notes:

(1) For comparative purposes, the NAV per Share as at 31 March 2013 has been computed based on the NAV of the Target Group as at 31 March 2013 and the pre-Completion share capital of 15,000,000 Shares.

(2) Please refer to Note 35 of "Appendix G — Audited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its Subsidiaries for the Financial Years Ended 31 March 2011, 2012 and 2013".

B8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION OF THE TARGET GROUP

The following discussion of the Target Group's results of operations and financial position should be read in conjunction with the full text of this Letter, including "Appendix G — Audited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its Subsidiaries for the Financial Years ended 31 March 2011, 2012 and 2013" and "Appendix H — Interim Condensed Unaudited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its Subsidiaries for the Six Months ended 30 September 2013".

This discussion contains forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements which include, but are not limited to, those discussed below and elsewhere in this Letter, particularly in "Appendix E — Risk Factors" of this Circular.

Under no circumstances should the inclusion of such forward-looking statements herein be regarded as representation, warranty or prediction with respect to the accuracy of the underlying assumptions by the Target Company, the Target Group, the Financial Adviser, the Sponsor or any other person. Investors are cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof. Please refer to the section "Cautionary Note Regarding Forward Looking Statements" of this Circular for more details.

B8.1 Overview

The Target Group is a Singapore-based real estate development, investment and management services company with projects and operations in Singapore, the PRC, Indonesia and the UK. The Target Group has three operating business segments: real estate development and investment, real estate origination and management services and hospitality business. The Target Group is engaged in the development, management and marketing of residential properties, as well as the management of hotels and resorts in Singapore, Indonesia and the UK.

Please refer to the section titled "The Target Group's Business" of this Letter for further information.

Revenue

The Target Group's revenue is derived primarily from three main business activities:

(a) Real estate development and investment;

(b) Real estate origination and management services; and

(c) Hospitality business.

(a) <u>Real estate development and investment</u>

Revenue from real estate development and investment refers to revenue derived from the sale of properties developed by the Target Group.

For overseas properties, revenue and cost on development properties that have been sold are recognised using the completed contracts method. Under the completed contracts method, revenue and cost on development properties that have been sold are recognised when the construction of the development properties is completed and the risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or an equitable interest in a property.

(b) *Real estate origination and management services*

Revenue from real estate origination and management services mainly comprises management fees and incentive fees received by the Target Group from third parties. In addition, the Target Group also earns incentive fees from the sale and leasing of units in The Ritz-Carlton Residences, under a sales and marketing agreement with Royce Properties.

Revenue from real estate origination and management services is recognised when the services are rendered.

(c) *Hospitality business*

Revenue from hospitality business is derived from the management and operation of resorts and hotels, including restaurants and spas.

Hotel room revenue is recognised based on room occupancy while other hospitality related revenue is recognised when the goods are delivered or the services are rendered to the customers.

Factors affecting revenue

The significant factors affecting revenue include the following:

(a) Ability to secure new development sites;

(b) The state of the economy in Singapore, as well as the global economy which affects property investors' appetite;

(c) The ability to compete effectively in the markets where the Target Group operates vis-à-vis its competitors. The Target Group currently operates in Singapore, the PRC, Indonesia and the UK;

(d) Changes in respective countries' government policies; and

(e) Ability to recruit skilled hospitality employees as the hospitality industry is service-oriented.

Please refer to "Appendix E — Risk Factors" of this Circular for an elaboration on the above factors and other factors that may affect the Target Group's revenue.

Cost of sales

(a) *Real estate development and investment*

Direct costs associated with the real estate development business are mainly attributable to land costs, related stamp duty on purchases of land, development charges, project management costs, construction costs, direct labour and borrowing costs that are directly attributable to the acquisition or construction of the properties.

Development charges are levied for changes made to existing development plans of a particular plot of land such as the increase in plot ratio or change in land usage.

Project management costs mainly include architectural design fees and professional fees paid out to mechanical and electrical engineers, civil and structural engineers and registered land and quantitative surveyors.

For overseas properties, costs on development properties that have been sold are recognised using the completed contract method. Under the completed contract method, costs on development properties that have been sold are recognised when the construction of the development properties is completed and the risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or an equitable interest in a property.

The Target Group typically obtains external financing of up to 75% of the cost of development, which is usually secured against the relevant property.

The bulk of the construction costs comprise mainly raw material costs such as reinforcement bars, sand, cement, aggregates and pre-cast concrete. The raw material costs incurred on each project are dependent on the size, design and material specifications of the project and the price levels of the raw materials.

(b) *Real estate origination and management services*

There is no direct attributable cost associated with real estate origination and management services.

(c) *Hospitality business*

Cost of sales relates to direct costs incurred in the provision of food and beverages services, telecommunication services, internet broadband services and laundry services.

Factors affecting cost of sales

The significant factors affecting cost of sales include the following:

(a) The acquisition cost of land, which is dependent on the location of and competition for the land;

(b) The construction costs for the Target Group's projects, which in turn are affected by the prices of the various construction materials;

(c) The Target Group's ability to engage main contractors or sub-contractors to provide various construction services for the completion of a property development project which are satisfactory and compliant with the Target Group's standards and requirements;

(d) Interest rate on borrowings;

(e) Labour costs for the hospitality business in the respective countries; and

(f) Utilities rates in the respective countries.

Please refer to "Appendix E — Risk Factors" of this Circular for an elaboration on the above factors and other factors that may affect the Target Group's cost of sales.

Gain from bargain purchase

This refers to the impact from the purchase of the junior notes and preference shares issued by Royce Properties and represents the excess of the economic benefits entitled to the Target Group over the purchase consideration which has been recognised in the Target Group's profit or loss.

Other income / (expense) - net

Other income comprises mainly interest income, commission income and other non-recurring income such as forfeiture of deposits.

Other expense comprises mainly impairment of receivable and foreign currency exchange losses.

Expenses

The Target Group's expenses are mainly as follows:

(a) *Administrative expense*

Administrative expense comprises mainly salaries, bonuses, staff-related expenses, sales and marketing expenses and corporate services fees.

(b) *Finance expense*

Finance expense comprises mainly interest expenses relating to bank borrowings and finance leases.

Share of results from interest in associate

The Target Company holds a 39.9% share in the junior notes and preference shares issued by Royce Properties which is determined to have significant influence over Royce Properties and has equity accounted for its share of the economic benefits in Royce Properties.

Royce Properties issued the Series B redeemable preference shares ("**RPS**") to third party investors in May 2007, and the Series A and Series C RPS to third party investors in April 2009 to raise additional capital of S$3 million.

The Series A and Series C RPS were structured as rights issues to the holders of the Series A RPS, entitling each Series A RPS holder to subscribe for one Series A RPS and one Series C RPS for every one Series B RPS held by it. The S$3 million additional capital was raised to enable Royce Properties to comply with certain of its obligations in relation to the facilities granted by the bank to Royce Properties.

In order to ensure full subscription of such rights issue, Hayden Properties undertook to subscribe for any Series A and Series C RPS not subscribed for by the holders of the Series A RPS. This resulted in Hayden Properties subscribing for approximately S$1.3 million of the Series A and Series C RPS.

In March 2011 and November 2011, the Target Company acquired 10 Series B RPS and one Series B RPS respectively. As a result of such acquisition, the Target Company currently has an approximate 39.9% share of the economic benefits in Royce Properties.

The holders of the Series A, Series B and Series C RPS are entitled to the distributable profits of Royce Properties, which is essentially the after-tax development profits arising from the sale of units in The Ritz-Carlton Residences. Under the terms of the RPS, the distribution of the distributable profits to the RPS holders can only take place after Royce Properties has, *inter alia*, discharged all its borrowings from and liabilities to the bank.

In July 2013, there was a restructuring performed on the junior notes and preference shares for Royce Properties. All the preference shares for Royce Properties were cancelled and the denomination of each junior note for Royce Properties reduced with no change in the proportional entitlement to the economic benefits for the junior notes holders.

Share of results from investment in an associated company

An associate is an entity over which the Target Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. During FY2012, the Target Group acquired a 30.0% interest in Bullet Investments Limited and divested its interest in FY2013.

Income tax expense

The Target Group is subject to income tax at the applicable statutory tax rates in the respective countries of operations.

Provision for income tax payable was made on profit before tax for each reporting period. The prevailing corporate tax rates in Singapore and Indonesia were 17.0% and 25.0% respectively for FY2011, FY2012, FY2013, HY2013 and HY2014. Revenue from the sale of properties in Indonesia was taxed at 10.0% for FY2011, FY2012, FY2013, HY2013 and HY2014.

The corporate tax rates in the UK for the hospitality business range from 20.0% to 25.0%.

B8.2 Review of Results of Operation

A breakdown of the Target Group's revenue and gross profit by business segments for the years under review is summarised as follows:

Revenue by business segments

	FY2011		FY2012		FY2013		HY2013		HY2014	
	(S$'000)	%	(S$'000)	%	(S$'000)	%	(S$'000)	%	(S$'000)	%
Real estate development and investment	-	-	-	-	23,962	58.4	11,482	59.7	5,130	43.1
Real estate origination and management services	6,099	100.0	12,000	100.0	12,211	29.7	6,887	35.8	1,863	15.7
Hospitality business	-	-	-	-	4,873	11.9	861	4.5	4,900	41.2
Total Revenue	**6,099**	**100.0**	**12,000**	**100.0**	**41,046**	**100.0**	**19,230**	**100.0**	**11,893**	**100.0**

Gross profit by business segments

	FY2011		FY2012		FY2013		HY2013		HY2014	
	(S$'000)	Margin (%)	(S$'000)	Margin (%)	(S$'000)	Margin (%)	(S$'000)	Margin (%)	(S$'000)	Margin (%)
Real estate development and investment	-	-	-	-	5,005	20.9	2,421	21.1	1,328	25.9
Real estate origination and management services	6,099	100.0	12,000	100.0	12,076	98.9	6,887	100.0	1,736	93.2
Hospitality business	-	-	-	-	1,590	32.6	(38)	(4.4)	2,220	45.3
Total Gross profit	**6,099**	**100.0**	**12,000**	**100.0**	**18,671**	**45.5**	**9,270**	**48.2**	**5,284**	**44.4**

<u>FY2012 vs FY2011</u>

Revenue

Total revenue increased by approximately S$5.9 million or 96.7% from S$6.1 million in FY2011 to S$12.0 million in FY2012, due to management fees recognised from the development of The Ritz-Carlton Residences, Hamilton Scotts and 10 Trinity Square.

Gross profit margin

Gross profit margin from real estate origination and management services remained constant at 100% in FY2012 and FY2011, due to a lack of direct attributable costs.

Gain from bargain purchase

In FY2011 and FY2012, the Target Group acquired Series B RPS and junior notes held by two of the existing preference shareholders and junior noteholders of Royce Properties. As a result, a net gain of S$2.1 million and S$14.5 million relating to the Group's proportion of the economic benefits over the purchase consideration was recognised in FY2012 and FY2011 respectively.

Other income / (expense) - net

Other income increased by approximately S$1.0 million or 3,333.3% from S$0.03 million in FY2011 to S$1.0 million in FY2012, mainly due to increase in interest income of S$3.5 million as compared to S$0.03 million in FY2011, which was partially offset by a S$2.5 million impairment of receivable from an associated company.

Administrative expense

Administrative expense increased by approximately S$3.6 million or 70.6% from S$5.1 million in FY2011 to S$8.7 million in FY2012, mainly due to increase in employee compensation of S$1.0 million from Introducer Fee Share and/or Executor Fee Share paid in FY2012 and increase in headcount, increase in professional fees of S$0.8 million, increase in sales and marketing expenses of S$1.2 million, increase in technical services fees of S$0.3 million and increase in depreciation expense of S$0.1 million.

Finance expense

(S$'000)	FY2011	FY2012
Interest expense		
Bank borrowings	88	1,314
Others	12	177
	100	1,491
Less: Amount capitalised in development properties	-	(15)
	100	1,476

Finance expense increased by approximately S$1.4 million or 1,400.0% from S$0.1 million in FY2011 to S$1.5 million in FY2012, mainly due to increase in interest expense from bank borrowings taken up in March 2011 for the acquisition of junior notes with principal amount of S$10 million and 10 Series B RPS issued by Royce Properties from a third party.

Share of results from interest in associate

Share of results from interest in associate increased by approximately S$4.2 million or 262.5% from S$1.6 million in FY2011 to S$5.8 million in FY2012, mainly due to increase in interest in associate from 37.0% in FY2011 to 39.9% in FY2012 and accounting for its share of profits for a full year in FY2012 compared to share of profits for one month in FY2011.

Share of results from investment in an associated company

During FY2012, the Target Group acquired a 30.0% interest in Bullet Investments Limited. In FY2012, the share of results from investment in an associated company, Bullet Investments Limited, relate mainly to sales and marketing expenses.

Profit before tax

As a result of the above, the Target Group's profit before tax decreased by approximately S$6.7 million or 39.2% from S$17.1 million in FY2011 to S$10.4 million in FY2012, mainly attributable to the increase in gross profit, decrease in gain from bargain purchase, increase in administrative expense, increase in finance expense, increase in share of loss from interest in associate and increase in share of results from investment in an associated company.

Income tax expense

(S$'000)	FY2011	FY2012
Income tax expense	791	1,875
Profit before tax	17,056	10,447
Effective tax rate	4.6%	17.9%

Income tax expense increased by approximately S$1.1 million or 137.5% from S$0.8 million in FY2011 to S$1.9 million in FY2012, mainly due to decrease in non-taxable gain from bargain purchase of S$12.4 million. As a result, the effective tax rate increased from 4.6% in FY2011 to 17.9% in FY2012.

FY2013 vs FY2012

Revenue

Total revenue increased by approximately S$29.0 million or 241.7% from S$12.0 million in FY2012 to S$41.0 million in FY2013, mainly due to revenue from real estate development and investment of S$24.0 million in FY2013, revenue from hospitality business of S$4.9 million in FY2013 and increase in management fees of S$0.2 million. The hospitality business was a new business segment that the Target Group entered into in FY2013.

During FY2013, the Target Group's hospitality business registered revenue of S$4.9 million compared to nil in FY2012 mainly due to the acquisition of Cranley Hotel in the UK and the commencement of hospitality operations in Montigo Resorts, Nongsa in Indonesia.

Gross profit margin

Gross profit margin decreased by approximately 54.5% from 100.0% in FY2012 to 45.5% in FY2013 mainly due to lower gross profit margin from the real estate development and investment segment and hospitality business segment. Gross profit margin from real estate origination and management services segment decreased slightly by 1.1% from 100% in FY2012 to 98.9% in FY2013.

Gain from bargain purchase

In FY2013, there was no further subscription or acquisition of any RPS or junior notes issued by Royce Properties.

Other income / (expense) - net

Other income increased by approximately S$1.1 million or 110.0% from S$1.0 million in FY2012 to S$2.1 million in FY2013, mainly due to increase in commission income of S$0.7 million, increase in income from forfeiture of deposits of S$0.7 million, decrease in interest income of S$2.7 million offset by a decrease of S$2.5 million in impairment of receivable from an associated company which was impaired in FY2012 and a gain on disposal of an associate, Bullet Investments Limited, of S$0.2 million.

Administrative expense

Administrative expense increased by approximately S$6.3 million or 72.4% from S$8.7 million in FY2012 to S$15.0 million in FY2013, mainly due to increase in employee compensation of S$2.2 million from increase in headcount of 207 employees, increase in sales and marketing expenses of S$0.3 million, increase in depreciation expense of S$0.4 million, increase in utilities and maintenance expense of S$1.2 million and hotel operating expenses of S$2.0 million which was offset by a decrease in professional fees of S$0.6 million and decrease in technical services fees of S$0.3 million.

Finance expense

(S$'000)	FY2012	FY2013
Interest expense		
Bank borrowings	1,314	2,533
Others	177	189
	1,491	2,722
Less: Amount capitalised in development properties	(15)	(1,236)
	1,476	1,486

Finance expense increased slightly by approximately 0.7% to S$1.5 million in FY2013, mainly due to increase in interest expense from bank borrowings of S$1.2 million which was offset by increase in the amount of interest expense being capitalised in development properties of S$1.2 million.

Share of results from interest in associate

Share of results from interest in associate decreased by approximately S$4.7 million or 81.0% from S$5.8 million in FY2012 to S$1.1 million in FY2013, mainly due to decrease in profits for the associate.

Share of results from investment in an associated company

In FY2013, the Target Company had divested its 30.0% interest in Bullet Investments Limited.

Profit before tax

As a result of the above, the Target Group's profit before tax decreased by approximately S$5.0 million or 48.1% from S$10.4 million in FY2012 to S$5.4 million in FY2013, mainly attributable to the increase in gross profit, decrease in gain from bargain purchase, increase in other income, increase in administrative expense, decrease in share of results from interest in associate and decrease in share of losses from investment in an associated company.

Income tax expense

(S$'000)	FY2012	FY2013
Income tax expense	1,875	4,039
Profit before tax	10,447	5,432
Effective tax rate	17.9%	74.4%

Income tax expense increased by approximately S$2.1 million or 110.5% from S$1.9 million in FY2012 to S$4.0 million in FY2013, mainly due to a tax rate of 10.0% imposed on the revenue from real estate development and investment segment in Indonesia and the tax penalty of S$0.5 million levied by the Indonesian tax authorities for late payment of income tax liabilities. As a result, the effective tax rate increased from 17.9% in FY2012 to 74.4% in FY2013.

HY2014 vs HY2013

Revenue

Total revenue decreased by approximately S$7.3 million or 38.0% from S$19.2 million in HY2013 to S$11.9 million in HY2014, mainly due to decrease in management fee of S$5.0 million and revenue from real estate development and investment of S$6.4 million in HY2014, offset by an increase in revenue from hospitality business of S$4.0 million in HY2014.

The decrease in management fees was mainly due to completion of the development of The Ritz-Carlton Residences and Hamilton Scotts in HY2013. The Target Group earned management fees during the development phase of these two residential property projects.

The increase in revenue from hospitality business was mainly due to the consolidation of the full six months' results of Cranley Hotel in the UK and Montigo Resorts, Nongsa in Indonesia for HY2014 compared to consolidation of one month's results of Cranley Hotel and four months' results of Montigo Resorts, Nongsa for HY2013.

Gross profit margin

Gross profit margin decreased by approximately 3.8% from 48.2% in HY2013 to 44.4% in HY2014 mainly due to lower gross profit margin from real estate origination and management services segment and hospitality business segment.

Gain from bargain purchase

In HY2014, there was no further subscription or acquisition of any RPS or junior notes issued by Royce Properties.

Other income / (expense) - net

Other income increased by approximately S$3.8 million or 422.2% from S$0.9 million in HY2013 to S$4.7 million in HY2014, mainly due to management fee income for the provision of corporate services to KOPG and a related corporation of S$2.3 million, recovery of expenses from KOPG of S$1.2 million in HY2014 and a decrease in gain on disposal of an associate, Bullet Investments Limited, of S$0.2 million.

Administrative expense

Administrative expense increased by approximately S$2.4 million or 38.7% from S$6.2 million in HY2013 to S$8.6 million in HY2014, mainly due to increase in employee compensation of S$0.8 million from increase in headcount, increase in professional fees of S$0.6 million, increase in depreciation expense of S$0.7 million, increase in utilities and maintenance expense of S$0.3 million and increase in rental expenses of S$0.3 million.

Finance expense

(S$'000)	**HY2013**	**HY2014**
Interest expense		
Bank borrowings	1,109	1,460
Others	133	182
	1,242	1,642
Less: Amount capitalised in development properties	(550)	(877)
	692	765

Finance expense increased by approximately 10.5% to S$0.8 million in HY2014.

Share of results from interest in associate

Share of results from interest in associate decreased by approximately S$0.3 million or 50.0% from losses of S$0.6 million in HY2013 to losses of S$0.3 million in HY2014, mainly due to decrease in losses for the associate.

Share of results from investment in an associated company

In HY2013, the Target Company had divested its 30.0% interest in Bullet Investments Limited.

In HY2014, there was no investment in any associated company.

Profit before tax

As a result of the above, the Target Group's profit before tax decreased by approximately S$2.3 million or 88.5% from S$2.6 million in HY2013 to S$0.3 million in HY2014, mainly attributable to the decrease in gross profit, increase in other income, increase in administrative expense and decrease in share of losses from interest in associate.

Income tax expense

(S$'000)	HY2013	HY2014
Income tax expense	2,620	68
Profit before tax	2,636	326
Effective tax rate	99.4%	20.9%

Income tax expense decreased by approximately S$2.5 million or 96.2% from S$2.6 million in HY2013 to S$0.1 million in HY2014, mainly due to a local tax rate of 10.0% imposed on the revenue from real estate development and investment in Indonesia and the tax penalty of S$0.5 million levied by the Indonesian tax authorities for late payment of income tax liabilities in HY2013.

The income tax expense of S$0.1 million in HY2014 was mainly due to a local tax of 10.0% imposed on the revenue from real estate development and investment in Indonesia offset by deferred tax asset from CHL.

B8.3 Review of Financial Position

As at 31 March 2013

Current Assets

Current assets comprise mainly cash and bank balances, trade and other receivables, other current assets, development properties and inventories. As at 31 March 2013, the Target Group had current assets of approximately S$50.7 million which accounted for 38.0% of its total assets of S$133.4 million.

Cash and bank balances

Cash and bank balances amounted to S$2.3 million as at 31 March 2013 and accounted for 1.7% of total assets. Included in cash and bank balances was an amount of S$0.2 million placed in escrow account which was related to the minimum balance maintained with a bank to secure bank borrowings.

Trade and other receivables

Trade and other receivables amounted to S$15.8 million as at 31 March 2013 and accounted for 11.8% of total assets. These comprised mainly amount due from an associate of S$6.9 million for management services provided and amount due from investees of S$5.0 million. As at the Latest Practicable Date, no outstanding amounts are due from associates and investees.

Other current assets

Other current assets amounted to S$2.3 million as at 31 March 2013 and accounted for 1.7% of total assets. These comprised mainly deposits and prepayments. Included in deposits is an amount of S$1.8 million in relation to the Target Group's acquisition of Montigo Resorts, Seminyak.

Development properties

Development properties amounted to S$30.0 million as at 31 March 2013 and accounted for 22.5% of total assets.

In FY2013, certain development properties in Indonesia were completed and delivered to the purchasers resulting in a decrease in development properties. The overall increase in development property was due to the continued development of the other development properties in Indonesia which includes units in Montigo Resorts, Nongsa.

Inventories

Inventories which consisted of supplies and consumables for the hospitality business amounted to S$0.2 million as at 31 March 2013 and accounted for 0.1% of total assets.

Non-Current Assets

Non-current assets comprise investment in an associated company, interest in associate, available-for-sale investments, property, plant and equipment, intangible assets and deferred tax assets. As at 31 March 2013, the Target Group had non-current assets of approximately S$82.7 million which accounted for 62.0% of total assets of S$133.4 million.

Interest in associate

Interest in associate amounted to S$44.9 million as at 31 March 2013 and accounted for 33.7% of total assets.

The Target Company held a 39.9% share in the junior notes and RPS in Royce Properties which was determined to have significant influence over Royce Properties and had equity accounted for its share of the economic benefits in Royce Properties.

Available-for-sale investments

Available-for-sale investments which represented investments in the ordinary share capital of Royce Properties and Sardinia Properties amounted to S$2.0 million as at 31 March 2013 and accounted for 1.5% of total assets.

Property, plant and equipment

Property, plant and equipment amounted to S$34.7 million as at 31 March 2013 and accounted for 26.0% of total assets. These comprised mainly property, plant and equipment of S$26.5 million from the acquisition of Cranley Hotel.

Intangible assets

Intangible assets were immaterial and amounted to S$2,311 as at 31 March 2013.

Deferred tax assets

Deferred tax assets amounted to S$1.1 million as at 31 March 2013 and accounted for 0.8% of total assets, due to tax payable on the revenue collection from real estate development and investment segment in Indonesia.

Current Liabilities

Current liabilities comprised mainly trade and other payables, borrowings, sales proceeds received in advance and current tax liabilities. As at 31 March 2013, the Target Group had current liabilities of approximately S$80.2 million which accounted for 76.5% of total liabilities of S$104.8 million.

Trade and other payables

Trade payables amounted to S$37.8 million as at 31 March 2013 and accounted for 36.1% of total liabilities. These comprised mainly trade payables of S$6.9 million, advances from KOPG of S$9.9 million for general working capital, accrued expenses of S$7.2 million, advances from related corporations of S$1.9 million, advances from related parties of S$1.0 million, advances from third parties of S$4.0 million, advances from non-controlling interest of S$1.4 million, deposits received of S$0.6 million, deferred income of S$4.0 million and other payables of S$0.8 million.

<u>Borrowings</u>

Borrowings amounted to S$34.7 million as at 31 March 2013 and accounted for 33.1% of total liabilities.

The borrowings were mainly related to secured loan facilities obtained from banks to fund the construction of Montigo Resorts, Nongsa in Batam and the acquisition of junior notes and RPS issued by Royce Properties from a third party and the current portion of loan facilities for the acquisition of Cranley Hotel and current portion of finance lease liabilities.

<u>Sales proceeds received in advance</u>

Sales proceeds received in advance amounted to S$3.4 million as at 31 March 2013 and accounted for 3.2% of total liabilities.

These were related to sales proceeds received in advance from real estate development and investment in Montigo Resorts, Nongsa.

<u>Current tax liabilities</u>

Current tax liabilities amounted to S$4.4 million as at 31 March 2013 and accounted for 4.2% of total liabilities.

Non-Current Liabilities

Non-current liabilities comprised borrowings, sales proceeds received in advance and deferred tax liabilities. As at 31 March 2013, the Target Group had non-current liabilities of approximately S$24.5 million which accounted for 23.4% of total liabilities of S$104.8 million.

<u>Borrowings</u>

Borrowings amounted to S$15.3 million as at 31 March 2013 and accounted for 14.6% of total liabilities.

The borrowings were related to the non-current portion of secured loan facilities obtained from a bank to fund the construction of Montigo Resorts, Nongsa, non-current portion of loan facilities for the acquisition of Cranley Hotel and non-current portion of finance lease liabilities.

<u>Sales proceeds received in advance</u>

Sales proceeds received in advance amounted to S$7.4 million as at 31 March 2013 and accounted for 7.1% of total liabilities.

These were related to sales proceeds received in advance from real estate development and investment in Montigo Resorts, Nongsa.

<u>Deferred tax liabilities</u>

Deferred tax liabilities amounted to S$1.8 million as at 31 March 2013 and accounted for 1.7% of total liabilities, mainly due to the acquisition of interest in associate.

<u>As at 30 September 2013</u>

Current Assets

Current assets comprised mainly cash and bank balances, trade and other receivables, other current assets, development properties and inventories. As at 30 September 2013, the Target Group had current assets of approximately S$62.5 million which accounted for 44.8% of its total assets of S$139.5 million.

Cash and bank balances

Cash and bank balances amounted to S$6.0 million as at 30 September 2013 and accounted for 4.3% of total assets. Included in cash and bank balances was an amount of S$2.0 million placed in escrow account which was related to the minimum balance maintained with a bank to secure bank borrowings.

Trade and other receivables

Trade and other receivables amounted to S$3.4 million as at 30 September 2013 and accounted for 2.4% of total assets.

Other current assets

Other current assets amounted to S$0.6 million as at 30 September 2013 and accounted for 0.4% of total assets. These comprised mainly deposits and prepayments.

Development properties

Development properties amounted to S$52.3 million as at 30 September 2013 and accounted for 37.5% of total assets.

In HY2014, certain development properties in Indonesia were completed and delivered to the purchasers resulting in a decrease in development properties. The overall increase in development property was due to the continued development of the other development properties in Indonesia which includes units in Montigo Resorts, Nongsa and acquisition of Montigo Resorts, Seminyak.

Inventories

Inventories which comprised supplies and consumables for the hospitality business amounted to S$0.3 million as at 30 September 2013 and accounted for 0.2% of total assets.

Non-Current Assets

Non-current assets comprise interest in associate, property, plant and equipment, intangible assets and deferred tax assets. As at 30 September 2013, the Target Group had non-current assets of approximately S$76.9 million which accounted for 55.1% of total assets of S$139.5 million.

Interest in associate

Interest in associate amounted to S$35.6 million as at 30 September 2013 and accounted for 25.5% of total assets.

The Target Company held a 39.9% share in the junior notes in Royce Properties which was determined to have significant influence over Royce Properties and had equity accounted for its share of the economic benefits in Royce Properties.

Property, plant and equipment

Property, plant and equipment amounted to S$39.7 million as at 30 September 2013 and accounted for 28.5% of total assets. Property, plant and equipment increased by S$5.0 million or 14.4% from S$34.7 million as at 31 March 2013 to S$39.7 million as at 30 September 2013, mainly due to the continued development of Montigo Resorts, Nongsa.

Intangible assets

Intangible assets were immaterial and amounted to S$1,445 as at 30 September 2013.

Deferred tax assets

Deferred tax assets amounted to S$1.6 million as at 30 September 2013 and accounted for 1.1% of total assets, due to unutilised tax losses from CHL and tax payable on the revenue collection from real estate development and investment segment in Indonesia.

Current Liabilities

Current liabilities comprised mainly trade and other payables, borrowings, sales proceeds received in advance and current tax liabilities. As at 30 September 2013, the Target Group had current liabilities of approximately S$53.9 million which accounted for 50.0% of total liabilities of S$107.7 million.

Trade and other payables

Trade payables amounted to S$42.7 million as at 30 September 2013 and accounted for 39.6% of total liabilities. These comprised trade payables of S$5.2 million, advances from KOPG of S$18.9 million for general working capital, accrued expenses of S$5.5 million, advances from related corporations of S$4.9 million, advances from non-controlling interest of S$1.5 million, deferred income of S$3.8 million and other payables of S$2.8 million.

Borrowings

Borrowings amounted to S$6.7 million as at 30 September 2013 and accounted for 6.2% of total liabilities.

The borrowings were mainly related to the current portion of secured loan facilities obtained from a bank to fund the construction of Montigo Resorts, Nongsa, current portion of loan facilities for the acquisition of Cranley Hotel, current portion of loan facilities for the acquisition of Montigo Resorts, Seminyak and current portion of finance lease liabilities.

Sales proceeds received in advance

Sales proceeds received in advance amounted to S$0.6 million as at 30 September 2013 and accounted for 0.6% of total liabilities.

These were related to sales proceeds received in advance from real estate development and investment in Montigo Resorts, Nongsa.

Current tax liabilities

Current tax liabilities amounted to S$3.9 million as at 30 September 2013 and accounted for 3.6% of total liabilities.

Non-Current Liabilities

Non-current liabilities comprised borrowings, sales proceeds received in advance and deferred tax liabilities. As at 30 September 2013, the Target Group had non-current liabilities of approximately S$53.8 million which accounted for 50.0% of total liabilities of S$107.7 million.

Borrowings

Borrowings amounted to S$41.9 million as at 30 September 2013 and accounted for 38.9% of total liabilities.

The borrowings were related to the non-current portion of secured loan facilities obtained from a bank to fund the construction of Montigo Resorts, Nongsa, non-current portion of loan facilities for the acquisition of Cranley Hotel, non-current portion of loan facilities for the acquisition of Montigo Resorts, Seminyak and non-current portion of finance lease liabilities.

Sales proceeds received in advance

Sales proceeds received in advance amounted to S$10.1 million as at 30 September 2013 and accounted for 9.4% of total liabilities.

These were related to sales proceeds received in advance from real estate development and investment in Montigo Resorts, Nongsa.

Deferred tax liabilities

Deferred tax liabilities amounted to S$1.8 million as at 30 September 2013 and accounted for 1.7% of total liabilities.

B8.4 Liquidity and Capital Resources

For the periods under review, the Target Group's growth and operations were financed through a combination of shareholders' equity, borrowings from financial institutions and advances from KOPG.

The Target Group's principal use of cash had mainly been for its property development of Montigo Resorts, Nongsa, acquisition of Cranley Hotel in the UK, acquisition of Montigo Resorts, Seminyak, acquisition of interest in associate, working capital requirements, capital expenditures, repayment of external borrowings and finance expenses.

The Target Group experienced net cash outflows from operating activities of approximately S$0.6 million for FY2012 mainly due to the development of Montigo Resorts, Nongsa. These costs were financed partly by sales proceeds received in advance, internal resources and bank borrowings. Payments made for these expenses were recorded as changes in working capital for development properties and the bank borrowings drawn down were classified as cash inflows for financing activities, which resulted in a negative cash flow from operating activities for the same period as cash outflows exceeded cash inflows from other operating activities.

Based on the Target Group shareholders' equity of S$30.3 million and its total borrowings of S$48.6 million as at 30 September 2013, the Target Group's gearing ratio (total borrowings to shareholders' equity) was 1.6 times.

Please refer to the section titled "Capitalisation and Indebtedness" for further details on its bank facilities and level of borrowings.

Based on the Target Group's current assets of S$62.5 million and its current liabilities of S$53.9 million as at 30 September 2013, the Target Group's working capital ratio (current assets to current liabilities) was 1.2 times.

As at 30 September 2013, the Target Group's cash and bank balances of approximately S$6.0 million comprised bank balances of S$2.0 million, which were restricted cash placed in escrow accounts and balance bank deposits which were not restricted in use.

As at 30 September 2013, the Target Group had available credit facilities of approximately S$60.5 million, of which S$54.2 million was utilised and S$6.3 million was unutilised. The bank borrowings were used to finance its development of Montigo Resorts, Nongsa and Montigo Resorts, Seminyak as well as for the acquisition of Cranley Hotel. The interest expense relating to bank borrowings to finance the development projects were capitalised as cost of development properties.

The Target Group is of the opinion that, after taking into consideration its existing credit facilities, present cash position and the cash flows generated from its operations, the Target Group has adequate working capital for its present requirements for up to 12 months.

In this regard, in the reasonable opinion of Hong Leong Finance, as Financial Adviser, the working capital available to the Enlarged Group, as at 31 March 2014, is sufficient for the present requirements and for at least 12 months from the date of the listing of the Consideration Shares.

Cash flow summary

The following table sets out a summary of the Target Group's consolidated statements of cash flows for FY2011, FY2012, FY2013, HY2013 and HY2014. The consolidated statements of cash flows should be read in conjunction with the full text of this Letter, including Appendices G and H of this Circular.

(S$'000)	FY2011	FY2012	FY2013	HY2013	HY2014
Net cash generated from/(used in) operating activities	4,739	(642)	12,315	567	1,531
Net cash generated from/(used in) investing activities	(22,127)	(5,083)	(12,631)	(9,114)	5,097
Net cash generated from/(used in) financing activities	19,876	9,473	(5,553)	5,651	(4,756)
Net increase/(decrease) in cash and bank balances	**2,488**	**3,748**	**(5,869)**	**(2,896)**	**1,872**
Cash and bank balances at beginning of financial year/period	2,057	4,545	8,293	8,293	2,090
Effects of currency translation on cash and bank balances	-	-	(334)	(217)	(46)
Cash and bank balances at end of financial year/period	**4,545**	**8,293**	**2,090**	**5,180**	**3,916**

FY2011

Operating activities

In FY2011, the Target Group received net cash inflows from operating activities of S$4.7 million which comprised positive operating cash flows before working capital changes of S$1.0 million, net working capital inflows of S$4.0 million and income tax payment of S$0.3 million.

The net working capital inflows of S$4.0 million arose mainly from:

(a) Increase of S$3.9 million in trade and other receivables;

(b) Increase of S$1.8 million in construction costs relating to the development properties of Montigo Resorts, Nongsa;

(c) Increase of S$4.0 million in trade and other payables; and

(d) Increase in sales proceeds received in advance of S$5.7 million.

Investing activities

In FY2011, the Target Group recorded net cash outflows from investing activities of S$22.1 million due mainly to purchase of property, plant and equipment of S$0.7 million, purchase of a tranche of RPS and junior notes issued by Royce Properties from an existing preference shareholder and junior noteholder for S$19.1 million and acquisition of PTTCP of S$2.3 million.

Financing activities

In FY2011, the Target Group received net cash inflows of S$19.9 million mainly due to S$19.9 million of proceeds from bank borrowings to fund the purchase of a tranche of RPS and junior notes issued by Royce Properties from an existing preference shareholder and junior noteholder for S$19.1 million.

FY2012

Operating activities

In FY2012, the Target Group recorded net cash outflows from operating activities of S$0.6 million which comprised positive operating cash flows before working capital changes of S$3.5 million, net working capital outflows of S$2.0 million, net interest payment of S$1.4 million and income tax payment of S$0.7 million.

The net working capital outflows of S$2.0 million arose mainly from:

(a) Increase of S$0.6 million in trade and other receivables;

(b) Increase of S$4.4 million in other current assets;

(c) Increase of S$14.8 million in construction costs relating to the development properties of Montigo Resorts, Nongsa;

(d) Increase of S$10.1 million in trade and other payables; and

(e) Increase in sales proceeds received in advance of S$7.6 million.

Investing activities

In FY2012, the Target Group recorded net cash outflows from investing activities of S$5.1 million due mainly to additions in property, plant and equipment of S$3.8 million offset by proceeds from disposal of S$0.2 million and acquisition of a tranche of RPS and junior notes issued by Royce Properties from an existing preference shareholder and junior noteholder for S$1.5 million.

Financing activities

In FY2012, the Target Group received net cash inflows of S$9.5 million mainly due to S$14.6 million of proceeds from bank borrowings offset by a repayment of bank borrowings of S$5.0 million and repayment of lease liabilities of S$0.1 million.

FY2013

Operating activities

In FY2013, the Target Group received net cash inflows from operating activities of S$12.3 million which comprised positive operating cash flows before working capital changes of S$5.5 million, net working capital inflows of S$11.6 million, net interest payment of S$2.7 million and income tax payment of S$2.1 million.

The net working capital inflows of S$11.6 million arose mainly from:

(a) Decrease of S$5.0 million in trade and other receivables;

(b) Increase of S$1.5 million in other current assets;

(c) Increase of S$1.4 million in construction costs relating to the development properties of Montigo Resorts, Nongsa;

(d) Increase of S$0.2 million in inventories;

(e) Increase of S$16.8 million in trade and other payables; and

(f) Decrease in sales proceeds received in advance of S$7.1 million.

Investing activities

In FY2013, the Target Group recorded net cash outflows from investing activities of S$12.6 million due mainly to additions in property, plant and equipment of S$5.5 million offset by proceeds from disposal of S$0.1 million and acquisition of Cranley Hotel in the UK of S$7.2 million.

Financing activities

In FY2013, the Target Group recorded net cash outflows of S$5.6 million mainly due to repayment of bank borrowings and lease liabilities of S$2.5 million offset by proceeds from bank borrowings of S$6.1 million and increase in restricted cash placed in escrow accounts of S$0.2 million and dividends of S$9.0 million declared and paid to equity holders of the Target Company.

HY2013

Operating activities

In HY2013, the Target Group received net cash inflows from operating activities of S$0.6 million which comprised positive operating cash flows before working capital changes of S$3.3 million, net working capital outflows of S$0.4 million, net interest payment of S$1.1 million and income tax payment of S$1.2 million.

The net working capital outflows of S$0.4 million arose mainly from:

(a) Decrease of S$0.5 million in trade and other receivables;

(b) Decrease of S$3.9 million in other current assets;

(c) Increase of S$0.1 million in construction costs relating to the development properties of Montigo Resorts, Nongsa;

(d) Increase of S$0.1 million in inventories;

(e) Decrease of S$4.1 million in trade and other payables; and

(f) Decrease in sales proceeds received in advance of S$0.5 million.

Investing activities

In HY2013, the Target Group recorded net cash outflows from investing activities of S$9.1 million due mainly to additions in property, plant and equipment of S$1.9 million and acquisition of Cranley Hotel in the UK of S$7.2 million.

Financing activities

In HY2013, the Target Group received net cash inflows of S$5.7 million mainly due to S$6.1 million of proceeds from bank borrowings and repayment of lease liabilities of S$0.4 million.

HY2014

Operating activities

In HY2014, the Target Group received net cash inflows from operating activities of S$1.5 million which comprised negative operating cash flows before working capital changes of S$1.6 million, net working capital inflows of S$5.5 million, net interest payment of S$1.5 million and income tax payment of S$1.0 million.

The net working capital inflows of S$5.5 million arose mainly from:

(a) Decrease of S$0.3 million in trade and other receivables;

(b) Increase of S$0.1 million in other current assets;

(c) Increase of S$19.5 million in construction costs relating to the development properties of Montigo Resorts, Nongsa and Seminyak;

(d) Increase of S$25.0 million in trade and other payables; and

(e) Decrease in sales proceeds received in advance of S$0.1 million.

Investing activities

In HY2014, the Target Group received net cash inflows from investing activities of S$5.1 million due mainly to net proceeds of S$8.9 million as a result of a restructuring performed on the junior notes and RPS for Royce Properties and additions in property, plant and equipment of S$3.8 million.

Financing activities

In HY2014, the Target Group recorded net cash outflows of S$4.8 million mainly due to repayment of bank borrowings and lease liabilities of S$18.0 million offset by proceeds from bank borrowings of S$15.1 million and increase in restricted cash placed in escrow accounts of S$1.8 million.

B8.5 Capital Expenditures, Divestments and Commitments

Capital Expenditures and Divestments

The Target Group's capital expenditures and divestments made during FY2011, FY2012, FY2013, HY2014 and the period from 1 October 2013 to the Latest Practicable Date are as follows:

Capital expenditures (S$'000)	**FY2011**	**FY2012**	**FY2013**	**HY2014**	**1 October 2013 to the Latest Practicable Date**
Leasehold land and building	-	-	2,434	1,045	226
Leasehold improvements	-	-	-	228	214
Computer	19	104	405	71	2
Furniture and fittings	6	110	-	1,988	69
Motor vehicles	255	12	845	71	38
Boats	-	70	-	-	-
Office equipment	-	-	26	26	9
Hotel equipment	-	-	435	417	31
Assets under construction	561	3,456	1,809	-	-
Total expenditures	841	3,752	5,954	3,846	589

Divestments (S$'000)	**FY2011**	**FY2012**	**FY2013**	**HY2014**	**1 October 2013 to the Latest Practicable Date**
Computer	(14)	-	(2)	-	-
Furniture and fittings	-	-	(74)	-	-
Motor vehicles	-	(193)	-	-	-
Boats	-	-	(10)	-	-
Assets under construction	-	-	(5,826)	-	-
Total divestments	(14)	(193)	(5,912)	-	-

Leasehold land and building

The expenditure in relation to leasehold land and building relates to the common building facilities in relation to Montigo Resorts, Nongsa.

Assets under construction

The assets under construction were for the construction of the common building facilities in relation to Montigo Resorts, Nongsa. The divestment in relation to assets under construction was a reclassification to leasehold land and building upon its completion in FY2013.

The above capital expenditures were financed by bank borrowings, finance leases and internally generated funds.

Commitments

Capital commitments

As at 30 September 2013 and the Latest Practicable Date, the Target Group has the following capital commitments:

(S$'000)	As at 30 September 2013	As at the Latest Practicable Date
Development properties	11,303	11,422
Property, plant and equipment	666	282
	11,969	11,704

Operating lease commitments

As at 30 September 2013 and the Latest Practicable Date, the Target Group has the following operating lease payment commitments:

(S$'000)	As at 30 September 2013	As at the Latest Practicable Date
Not later than one year	433	433
Later than one year and not later than five years	975	758
Later than five years	-	-
	1,408	1,191

B8.6 Capitalisation and Indebtedness

The following table shows the cash and bank balances, indebtedness and capitalisation of the Target Group, based on its unaudited consolidated balance sheet at 30 September 2013.

The table should be read in conjunction with "Appendix G — Audited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its Subsidiaries for the Financial Years ended 31 March 2011, 2012 and 2013" and "Appendix H — Interim Condensed Unaudited Consolidated Financial Statements of KOP Properties Pte. Ltd. and its Subsidiaries for the Six Months ended 30 September 2013" and the related notes under the section "Management's Discussion and Analysis of Results of Operation and Financial Condition of the Target Group" in this Letter.

(S$'000)	As at 30 September 2013
Cash and bank balances	**5,957**
Indebtedness	
<u>Current</u>	
Bank borrowings	6,626
Finance lease liabilities	47
<u>Non-current</u>	
Bank borrowings	41,619
Finance lease liabilities	301
Total Indebtedness	48,593
Total Shareholders' equity	30,347
Total capitalisation and indebtedness	78,940

Except as described above, there has been no material change in The Target Group's capitalisation and indebtedness from 30 September 2013 to the Latest Practicable Date. Please see the section "Management's Discussion and Analysis of Results of Operation and Financial Condition of the Target Group - Bank Borrowings" in this Letter for a description of our borrowings.

As at 31 March 2013, the Target Group was in breach of its covenant to maintain the prescribed minimum balance in an escrow account in respect of its borrowing from CIMB Niaga. CIMB Niaga granted a waiver for the breach on 17 April 2013. As at the Latest Practicable Date, the Target Group was in breach of the covenant. However, the breach has since been rectified.

In connection with the above, KOPG has provided the following undertakings to Hong Leong Finance that, *inter alia*:

(a) KOPG will not recall the advance owing by the Target Group to KOPG amounting to S$18,857,594.06 as at 30 September 2013 and owing to KOPG's subsidiaries amounting to S$4,933,127.49 as at 30 September 2013 until the Target Company has the financial ability to repay the balances;

(b) KOPG shall use its best endeavours to cause the Target Company to utilise part of the proceeds raised from the Proposed Placement to repay part of the loans that form the Target Group's current liabilities, amounting to S$6.67 million as at 30 September 2013; and

(c) KOPG will ensure that the Target Company has working capital adequacy for the next 12 months and the covenant currently imposed by CIMB Niaga and such other banks from time to time will be complied with for the next 12 months.

Save as disclosed above, the directors of the Target Company are unaware of any breaches or non-compliance with any terms or conditions which might cause the banks to cancel, withdraw, suspend, reduce or recall on demand the callable bank borrowings as at 30 September 2013.

B8.7 Bank borrowings

As at 30 September 2013, the Target Group's total credit facilities (utilised and unutilised) are as follows:

Financial Institution	Type of facilities	Facilities granted (S$'000)	Amount utilised (S$'000)	Maturity profile	As at 30 September 2013 Amount owing (S$'000)	Securities
CIMB Niaga	Construction Loan	21,574	21,574	Monthly instalments commencing from March 2013 to February 2017	16,284	(i) Mortgage of land at Lot A-E/1-5, Sambau (Pantai Timur), Nongsa, Batam City, Riau, Indonesia; (ii) Corporate guarantee by the Target Company for S$21,000,000; (iii) Subordination agreement between CIMB Niaga (as creditor), the Target Company and Montigo Nongsa (as subordinated parties); and (iv) Letter of undertaking by the Target Company and Montigo Nongsa (as shareholders of PTTCP)
CIMB Niaga	Acquisition Loan	15,069	15,069	Monthly instalments commencing from August 2013 to July 2020	14,999	Mortgage of assets and building at Montigo Resorts, Seminyak, corporate guarantee from Target Company and several personal guarantees from certain directors for US$17,000,000
	Construction Loan	6,279	-	Monthly instalments commencing from drawdown date to July 2017	-	

Financial Institution	Type of facilities	Facilities granted (S$'000)	Amount utilised (S$'000)	Maturity profile	As at 30 September 2013 Amount owing (S$'000)	Securities
UOB, London Branch	Term Loan	17,582	17,582	Maturing on 24 November 2014	16,962	(i) Legal mortgage over the property, Cranley Hotel, situated at 10 Bina Gardens, London SW 5; (ii) Charge over shares in CH(IOM), CRE and CHL; (iii) Debentures executed by each of CH(IOM), CRE and CHL; (iv) Deed of subordination in favour of UOB by CH(IOM), CRE and CHL; (v) Corporate guarantees by CH(IOM) and CHL; (vi) Charges granted by CRE and CHL over their bank accounts in favour of UOB; (vii) Deed of assignment of CHL's insurance policies; and (viii) Several personal guarantees from certain directors
TOTAL		60,504	54,225		48,245	

Note:

(1) The interest rates for the above bank borrowings are at fixed rates, save for the term loan granted by UOB, London Branch.

Finance leases

As at 30 September 2013, the amounts payable by the Target Group under finance leases are as follows:

(S$'000)	As at 30 September 2013
Within 1 year	47
Within 2 to 5 years	175
More than 5 years	126
	348

The lease term ranges from 84 months to 96 months. The average effective interest rate ranges from 3.63% to 5.36%.

B9. PROSPECTS, TREND INFORMATION, STRATEGY AND FUTURE PLANS

B9.1 Prospects

Luxury Property Market in Singapore

The property cooling measures introduced by the Singapore government between 2009 to 2013 have had an impact on the sales activity for luxury and ultra-luxury apartments by requiring, among others, purchasers of such properties to pay more cash upfront as part of the purchase price. As such, the Target Group's directors believe that prices of luxury and ultra-luxury apartments are expected to continue in a stagnant or downward trend in 2014 after a significant decline in 2013. Nevertheless, given the low interest rate environment, political stability and long term investment potential in Singapore, the luxury and ultra-luxury residential property market in Singapore appears well-positioned to continue attracting international interests from countries such as the PRC, India and Russia.

Upscale Hospitality Market in Batam, Indonesia

Based on the independent property valuation report of Montigo Resorts, Nongsa, prepared by KJPP Rengganis, the supply of 5-star hotels is only from Montigo Resorts, Nongsa in Batam. In respect of the general hotel market in Batam, hotel growth is expected to increase due to the increasing number of tourists, especially from Singapore and Malaysia. Demand is also expected for meetings, incentives, conferences and exhibitions ("**MICE**") as Batam is one of the MICE destinations in Indonesia for corporate and government institutions apart from Jakarta and Bali. In 2014 and 2015, there will only be one other 5-star hotel project, The Cove in Funtasy Land in Batam. The Target Group's directors therefore expect there to be limited competition for 5-star hospitality space in Batam in the near future.

Upscale Hospitality and Residence Market in Bali, Indonesia

The Target Group's directors believe that this is a market upturn for this segment of the market in Bali as there is greater awareness of the investment potential in this segment. Several properties such as resorts and villas are opening in the south-western areas of Bali, notably in chic Seminyak. There is strong interest in Bali properties from affluent investors from Hong Kong, Singapore, Australia and other countries in the Asia region.

Despite a steady growth in the supply of hotel rooms in Bali, the Target Group's directors expect occupancy rates of hotels to rise with demand from business and holiday travellers as Bali continues to be a popular playground for Indonesians and international tourists alike as a result of its increasing accessibility from Jakarta, Surabaya and other domestic cities in Indonesia.

Upscale and Luxury Boutique Hospitality Market in London, UK

London appeals to both business travellers and tourists given the capital city's advantageous position as both a cultural and commercial centre. The Target Group's directors believe the London hospitality market has been resilient in recent years despite the financial crisis in Europe, with stable occupancy and room rates. It expects this trend to improve in 2014 as the global economy continues to recover and as foreign travel, particularly from developing and emerging markets such as the PRC and Brazil which have been recording growth over the recent years, continues to strengthen.

Overall Market Outlook in Shanghai, the PRC

The Target Group has observed that Shanghai has been planned to be an anchor to serve the Yangtze River Delta region and beyond as an international trade hub. In addition, Shanghai is expected to establish an administrative system to support global trade and build a "world class environment for commerce and trade". Within the city, the zones of Pudong, Hongqiao Hub and the former Expo site are expected to be designated as part of the "three ports and three zones" plan. The Target Group's directors are of the view that the city will strive to attract companies operating new models of international trade, domestic and foreign trading organisations and trade promotion bodies.

Hospitality Market

The established transportation infrastructure in Shanghai increases the accessibility of leisure tourist attractions and reduces the time and cost for tourists travelling to such destinations. The Target Group's directors believe that this will be beneficial to tourism and consequently the hospitality industry that supports tourism.

The Target Group has observed that the tourism market in Shanghai is gradually moving from sight-seeing to focus more on overall experience and comfort. Thus, developments which include mid-scale to upscale and luxury hotel rooms, entertainment, leisure, sporting, dining and shopping facilities will likely enhance tourists' experience and increase their length of stay.

Retail Market

The Target Group sees continued strong demand for prime retail space given its limited supply and expects rent rates for prime retail space to remain at a high level. It also believes landlords of existing properties will reposition and/or adjust their tenant mix and introduce e-commerce offering specialised or experiential services.

Residential Market

The Target Group believes that the Shanghai government will continue to address rising home prices through government regulations, particularly through tightened control of the pre-sales of high-end residential projects and increase in land sites available for low to mid-end projects. These factors, among others, may limit the increase in average house prices.

In the luxury sales market, the Target Group expects that there will continue to be demand for luxury residential units in core regions and average transaction prices will continue to grow, boosted by the launch of new projects. In the leasing market, with the development of the China (Shanghai) Pilot Free Trade Zone, more multinational corporations will be encouraged to set up their operations in Shanghai. The increase in the number of new expatriates is expected to create more leasing demand, which may result in average rents and occupancy rates for such units increasing. In addition, due to the positive impact of the China (Shanghai) Pilot Free Trade Zone and the lack of residential properties within the Zone, the Target Group's directors believe that the growth in sales price of surrounding residential projects will be supported.

B9.2 Trend Information

For the current financial year, barring unforeseen circumstances, directors of the Target Company have observed the following trends based on the operations of the Target Group as at the Latest Practicable Date:

(a) the Target Group expects continued demand for iconic and quality luxury residential projects situated in prime locations. The Target Group will seek to capitalise on this trend by creating new products offerings in this space and leveraging on the expertise previously derived from projects such as The Ritz-Carlton Residences. In addition, the Target Group may seek to capitalise this trend by streamlining its portfolio where commercially viable opportunities arise. For instance, on 26 March 2014, a non-binding memorandum of understanding was entered into with a prospective purchaser for the disposal of the entire underlying economic interest, including the 39.9% interest held by the Target Company, in The Ritz-Carlton Residences. The disposal is subject to satisfactory due diligence being undertaken by the prospective purchaser, a definitive agreement being signed on terms acceptable to the parties, as well as all relevant regulatory and other approvals having been obtained. Accordingly, there is no certainty that the terms of the disposal will be agreed, or that the transaction will ultimately be consummated; and

(b) the Target Group believes that demand for multi-generational homes and resort experiences will continue to grow. The Target Group has noted an increasing interest and focus on family travel. It has also observed a growing demand for vacation destinations which offer activities that cater to travellers of all ages. It aims to take advantage of this trend by promoting and expanding its "Montigo Resorts" brand, which is targeted primarily at multi-generational families.

B9.3 Strategy and Future Plans

Focus on growing the Target Group's business through new development projects, acquisitions of new projects and expansion into overseas markets

The Target Group will focus on growing its business by increasing the number of projects which it develops. The Target Group continues to explore opportunities to acquire completed properties, which it may refurbish or otherwise enhance. It further intends to expand its presence in markets which offer favourable opportunities and attract an international mix of purchasers. The Target Group will also seek to promote and provide its real estate management services to third parties in overseas markets.

The Target Group intends to expand its acquisition pipelines through its deal sourcing capabilities and investor base as and when such business opportunities arise. Examples of the type of acquisitions it will target include commercial properties, which may be single or mixed-use developments, iconic or landmark projects or properties, vacant land for development and particularly in Singapore, en bloc opportunities and government tenders and auctions. Currently, the Target Group is exploring an opportunity with respect to a commercial asset located in Singapore. The transaction is subject to a definitive agreement being signed on terms acceptable to the parties, as well as all relevant regulatory and other approvals having been obtained. Accordingly, there is no certainty that the terms of the transaction will be agreed, or that the transaction will ultimately be consummated.

The Target Group intends to offer high quality developments targeted at different segments of the market to support its overall growth and increase its revenue streams. It expects its reputation as a multi-faceted developer and hotel/resort operator to command a premium for its product offerings.

In evaluating a project or property for acquisition, the Target Group will consider the opportunity available for enhancement, the project's attractiveness to potential investors, return on investment and the potential value-add for its brand, location and type of development.

To further its plans, the Target Group has established a presence in the PRC, utilising KOPG's branch office in Shanghai as a platform for sales support, where sales initiatives include the regular organisation of property exhibitions to promote its projects. The arrangement will assist it in identifying suitable opportunities in Shanghai and Beijing. It will endeavour to replicate such presences in its other key target markets going forward.

In November 2013, the Target Group entered into a framework agreement with Shanghai West Hongqiao Business Development Co., Ltd (上海西虹桥商务开发有限公司), an associated company of the local government in Qingpu District, Shanghai, for the development of an integrated indoor winter resort in Shanghai. This project will be built on an 18-hectare site, with a GFA of approximately 45 hectares. The resort will include residential, commercial, retail and hospitality spaces and incorporate other entertainment facilities such as a theme park, hiking trail and beach club. Construction is expected to commence in the third quarter of 2014 and be completed by 2018. As at the Latest Practicable Date, the Target Group is preparing a tender proposal for the land use rights in respect of this site.

The Target Company has also signed an option agreement with KOPG on 3 February 2014 for the purchase of 1,851.83 Class A units (equivalent to a 55.0% shareholding interest) in VHE. VHE has been granted a licence by Marvel which enables VHE to hold public exhibitions in relation to Marvel's fictional comic characters, The Avengers (i.e. Iron Man, The Incredible Hulk, Captain America and Thor). The exhibitions may be held in the United States, Canada and any additional territories which may be included pursuant to negotiations between VHE and Marvel. This option, if exercised by the Target Company, creates a binding obligation on KOPG to sell its units in VHE to the Target Company, thereby allowing the Target Group to diversify its business to include event management and entertainment. For further information on the option agreement, please refer to "Past Interested Person Transactions for the Target Group – Option Agreement in relation to Class A Units in VHE".

Undertaking the entire value chain in real estate

The Target Group will seek to undertake and manage all its projects from origination, conceptualisation, project management and sales and marketing to real estate management and operations.

For its real estate management business, the Target Group intends to work with third parties to undertake real estate management on its behalf. In such projects it aims to be the party responsible for conceptualisation, project management and sales and marketing.

Be a leading regional hospitality company focused on creating authentic hotel experiences for its guests

The Target Group intends to develop and market its "Montigo Resorts" brand globally. As branding affects all facets of its business process, the Target Group will continue to capitalise on the recognition of this award-winning brand to capture different customer markets. It believes that the focus of "Montigo Resorts" on multi-generational families, with a variety of leisure activities available at each resort, will be popular among high income consumers seeking a vacation destination for their families. It also expects the sale and lease back option offered at these resorts to attract customers seeking a holiday home as well as an opportunity for capital gains.

Expand the event management and entertainment business of the Enlarged Group

Following Completion, the Target Group plans to develop the complementary businesses of the Target Group and the Scorpio Group, in particular the event management and entertainment business.

The Target Group intends to venture into the development of real estate projects which include a lifestyle component, such as entertainment and MICE facilities. The Target Group also proposes to expand the scope of the Enlarged Group's event management and entertainment business through organising concerts, musicals, shows and events.

In addition, the Target Company has signed an option agreement with KOPG on 3 February 2014 for the purchase of Class A units in VHE, as described above. If the Target Company exercises this option, it will be able to utilise the licence granted by Marvel to VHE to further broaden the Enlarged Group's event management and entertainment business.

B10. DIRECTORS AND MANAGEMENT

B10.1 Directors

The following directors of the Target Company will be entrusted with the responsibility for the overall management and direction of the Enlarged Group and their particulars are set out below:

Name	Age	Address	Proposed Position in the Enlarged Group
Ong Chih Ching	44	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	Group CEO and Executive Director
Leny Suparman	39	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	CEO of the Target Group and Executive Director

For more information on the areas of responsibility, the business and working experience and the present and past directorships of the Directors, please refer to "Enlarged Group – Proposed Directors" of this Circular.

B10.2 Management

The day-to-day operations of the Target Group are entrusted to the Target Group's executive officers. These executive officers of the Target Group form an experienced and qualified team responsible for the different functions of the Target Group. The particulars of these executive officers are set out below:

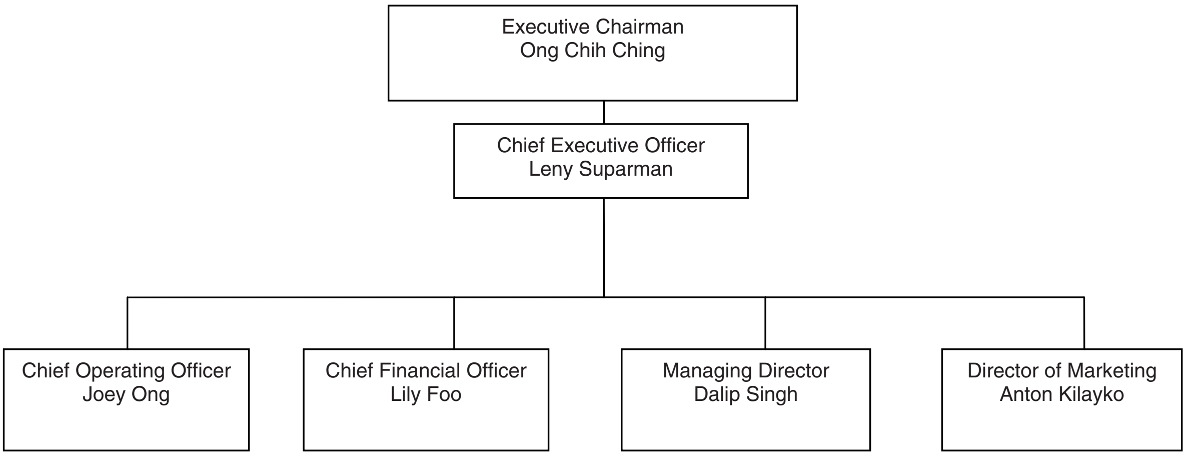
Name	Age	Address	Proposed Position in the Enlarged Group
Lily Foo	48	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	CFO
Joey Ong	47	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	COO
Dalip Singh	42	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	Managing Director
Anton Kilayko	39	c/o 152 Beach Road #27-01 The Gateway East Singapore 189721	Director of Marketing

For more information on the areas of responsibility, the business and working experience and the present and past directorships of the executive officers, please refer to "Enlarged Group – Proposed Executive Officers" of this Circular.

B10.3 Arrangement or Understanding

None of the Target Company's directors or executive officers has any arrangement or understanding with any of the Substantial Shareholders of the Target Group, customers or suppliers or other person pursuant to which such person was appointed.

B10.4 Management Reporting Structure



B11. INTERESTED PERSON TRANSACTIONS

In general, transactions between the Target Group and any of its interested persons (namely, its directors, CEO, Controlling Shareholders or associates (as defined in the Rules of Catalist) of such directors, CEO or Controlling Shareholders) ("**Interested Persons**" and each an "**Interested Person**") would constitute interested person transactions for the purposes of Chapter 9 of the Catalist Rules.

The Target Company's directors have represented to the Directors and the Company that, save as disclosed in this section and in the section titled "History of the Target Group" of this Letter, and to the best of the Target Company's directors' knowledge and belief, neither the Target Company's directors nor any of the Controlling Shareholders of the Target Group and/or their associates was or is interested, whether directly or indirectly, in any material transaction undertaken by the Target Group within FY2011, FY2012, FY2013 and for the period from 1 April 2013 until the Latest Practicable Date (the "**Relevant Period**").

In line with the rules set out in Chapter 9 of the Catalist Rules, a transaction which has a value of less than S$100,000 is not considered material in the context of the Proposed Transactions and is not taken into account for the purposes of aggregation in this section.

B11.1 Past Interested Person Transactions for the Target Group

(1) Corporate Services Agreements between KOPG and the Target Company

On 21 December 2010 and 14 June 2012, KOPG was engaged by the Target Company to provide corporate services to the Target Group comprising mainly the following:

(a) legal and secretariat services;

(b) human resources, payroll and office administration services; and

(c) office and room facilities services,

for the period commencing 1 April 2009 to 31 March 2011 and 1 April 2011 to 31 March 2013, respectively. KOPG had, at the Target Group's request, also provided finance and accounting services from 1 April 2009 to 31 August 2010 and information technology services from 1 April 2009 to 31 March 2011. The corporate services arrangements were terminated with effect from 1 September 2012, pursuant to a Deed of Termination dated 12 March 2013.

The aggregate amount of fees paid by the Target Group to KOPG during the Relevant Period was as follows:

FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
578,500	628,515	261,881	-

The Target Company's directors are of the view that the agreement was not made on normal commercial terms as the fees paid by the Target Company to KOPG were based on a cost plus 5.0% margin basis and was not conducted on an arm's length basis.

(2) Lease of Units in Montigo Resorts, Nongsa

On 1 March 2010, Ong Chih Ching, the Target Company's Group Chairman and Executive Director, entered into an agreement with PTTCP, for the lease of a unit in Montigo Resorts, Nongsa. Ong Chih Ching was granted the lease of Villa 92, with an estimated floor area of 3,300 sq ft (the "**Original Villa 92 Agreement**").

The term of the Original Villa 92 Agreement commenced on the date on which Ong Chih Ching took actual possession or was deemed to have taken possession of the unit and would expire on 11 January 2038 or such other date to which the term was extended. The extension of the term was subject to the fulfilment of certain conditions, including the extension of the HGB title by the relevant authorities and the acceptance by Ong Chih Ching of the terms of the HGB title extension (including the payment of any fees necessary for the HGB title extension).

The lease was granted to Ong Chih Ching at a sum of S$313,720, which comprised, among others, a lease premium and the price of furniture, fittings and equipment in her unit (the "**Total Package**"), after a discount of 20.0% given to employees of the Target Group. In addition to the Total Package, Ong Chih Ching was required to pay, among others, rental and management fees to PTTCP for the maintenance of the common area of the resort.

In April 2012, Ong Chih Ching decided to assign the lease for Villa 92 and entered into an arrangement with PTTCP pursuant to which PTTCP agreed to assist in marketing Villa 92 to third parties for an administrative fee of 5.0% of the Total Package for which Villa 92 is leased to any third party.

PTTCP successfully re-leased Villa 92 in April 2012 to third party buyers for a Total Package of S$633,700. The Original Villa 92 Agreement was terminated on 12 July 2012 and Ong Chih Ching received a net sum of S$497,689 pursuant to the termination.

Taking into account the 20.0% discount to the Total Package, which would be available to all the Target Group employees, the Target Company's directors are of the view that the above transactions were not entered into on normal commercial terms and were not conducted on an arm's length basis.

(3) Management Agreements in respect of Units in Montigo Resorts, Nongsa

During the Relevant Period, several interested persons entered into management agreements with PTTCP in respect of units they had leased in Montigo Resorts, Nongsa, pursuant to a rental programme scheme. Under these agreements, PTTCP was appointed as sole and exclusive manager for the administration and maintenance of such units, with absolute discretion to rent and/or promote these units to members of the public. In consideration for PTTCP's appointment as manager, each interested person may choose between two options to share in the returns generated from the rental of his respective unit.

The terms of the management agreements are for one year or two years, depending on the return option chosen, commencing on the date of delivery of vacant possession of the relevant unit. The terms shall be automatically extended thereafter on each anniversary of the commencement date for a period of one year unless either party gives the other notice of termination.

Details of the management agreements are set out below:

Date of agreement	Unit / estimated floor area	Interested person
6 June 2011	Villa 7 / 3,300 sq ft	Hery Suparman[(1)]
6 June 2011	Villa 92 / 3,300 sq ft	Ong Chih Ching[(2)]
23 March 2012	Villa 57 / 3,300 sq ft	Low Kheng Hong @ Lau Kheng Hong ("**Mr Lau**"), Ong Yok Kiat and Joey Ong[(3)]
23 April 2012	Villa 93 / 3,300 sq ft	Leny Suparman

Notes:

(1) Hery Suparman is the sister of Leny Suparman, the Target Company's CEO and Executive Director.

(2) Ong Chih Ching terminated the Management Agreement with PTTCP on 12 July 2012.

(3) Mr Lau is the uncle of Joey Ong and Ong Chih Ching and Ong Yok Kiat is Mr Lau's spouse. Joey Ong is the Target Company's COO and the sister of Ong Chih Ching.

The aggregate amount paid to the above interested persons in respect of the management agreements during the Relevant Period was as follows:

	FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
Hery Suparman	-	-	1,328	16,710
Ong Chih Ching	-	-	-	-
Mr Lau, Ong Yok Kiat and Joey Ong	-	-	5,032	18,184
Leny Suparman	-	-	2,520	15,326

The management agreement with Ong Chih Ching was terminated on 12 July 2012, together with the Original Villa 92 Agreement. The remaining management agreements were terminated following the entry into new management agreements between PTTCP and the above lessees in relation to the units they had leased.

The Target Company's directors are of the view that the above agreements were entered into on normal commercial terms and were conducted on an arm's length basis.

(4) Acquisitions and Disposals of Shares by the Target Group

PTTCP

Pursuant to a share purchase agreement dated 22 July 2008, as supplemented on 8 July 2011, the Target Company acquired 1,750 shares, 375 shares and 350 shares in the capital of PTTCP from Liana @ Tio Lian Hiang (mother of Leny Suparman, the Target Company's CEO and Executive Director), Suparman @ Sioe Tjoen (father of Leny Suparman) and an unrelated third party, respectively. The aggregate consideration for these acquisitions was S$2,330,993.31, following which PTTCP became the Target Company's 99.0%-owned subsidiary. Subsequently, on 3 February 2012, Montigo Nongsa, a wholly-owned Target Subsidiary, acquired 630 shares representing 1.0% of the issued share capital of PTTCP, from KOP H&R, a wholly-owned subsidiary of KOPG, for a consideration of Rp315,000,000 based on the cost at which KOP H&R acquired these shares. Upon completion of this acquisition, PTTCP became a wholly-owned Target Subsidiary.

The Target Company's directors are of the view that the transaction was entered into on normal commercial terms and was conducted on an arm's length basis.

CH(IOM)

On 3 September 2012, Ong Chih Ching and Leny Suparman transferred their entire holdings in CH(IOM), a company incorporated in the Isle of Man, which comprised 85 ordinary shares representing 85.0% of CH(IOM)'s issued share capital, to the Target Company, upon completion of which, CH(IOM) became the Target Company's 85.0%-owned subsidiary. The remaining 15.0% is held by Mr Lau and an unrelated third party, who hold 10.0% and 5.0% interests, respectively. The consideration for the acquisition was £4,206,735, taking into account (a) all advances given by Ong Chih Ching and Leny Suparman to CH(IOM), CHL and/or CRE which remained outstanding as at the completion date of the acquisition, (b) all sums paid by Ong Chih Ching and Leny Suparman on behalf of CH(IOM), CHL and/or CRE which had not been repaid as at the completion date of the acquisition, and (c) all sums incurred or expended by Ong Chih Ching and Leny Suparman in connection with the incorporation and administration of CH(IOM) and/or CRE, CH(IOM)'s acquisition of all shares in CHL and financing of the same and other charges and fees paid to third party service providers.

The Target Company's directors are of the view that the transaction was not entered into on normal commercial terms and was not conducted on an arm's length basis.

Bullet Investments Limited

On 5 September 2012, the Target Company entered into a sale and purchase agreement with KOPG, in connection with the disposal by the Target Company to KOPG of (a) 120,000 ordinary shares of £1.00 each representing 30.0% of the issued share capital of Bullet Investments Limited, (b) a 30.0% interest in the £74,200,000 discounted senior note issued by Bullet Investments Limited and (c) a 30.0% interest in the £31,800,000 discounted junior note issued by Bullet Investments Limited for an aggregate consideration of S$63,840,000.

As the disposal was made for the purpose of a corporate restructuring exercise, the Target Company's directors are of the view that the transaction was not entered into on normal commercial terms and was not conducted on an arm's length basis.

Franklyn Europe

On 27 September 2012, one share in the issued share capital of Franklyn Europe, representing 100.0% of the shareholding interest in Franklyn Europe, was transferred to KOP Hospitality, a wholly-owned Target Subsidiary, for a purchase consideration of £1.00, by Franklyn Singapore, a wholly-owned subsidiary of KOP H&R which in turn is a wholly-owned subsidiary of KOPG.

As the acquisition was made for the purpose of a corporate restructuring exercise, the Target Company's directors are of the view that the transaction was not entered into on normal commercial terms and was not conducted on an arm's length basis.

KOP Luxury

On 27 September 2012, one share in the issued share capital of KOP Luxury, representing 100.0% of the shareholding interest in KOP Luxury, was transferred to KOP Hospitality for a purchase consideration of S$1.00 from KOP H&R.

As the acquisition was made for the purpose of a corporate restructuring exercise, the Target Company's directors are of the view that the transaction was not entered into on normal commercial terms and was not conducted on an arm's length basis.

Gramercy Properties

On 4 December 2012, one share in the issued share capital of Gramercy Properties, representing 100.0% of the shareholding interest in Gramercy Properties, was transferred to the Target Company for a purchase consideration of S$1.00 from KOPG.

As the acquisition was made for the purpose of a corporate restructuring exercise, the Target Company's directors are of the view that the transaction was not entered into on normal commercial terms and was not conducted on an arm's length basis.

Hayden Properties

On 16 April 2013, an aggregate of 200,000 ordinary shares in the paid-up capital of Hayden Properties, representing 100.0% of the shareholding interest in Hayden Properties, were transferred by the Target Company to KOPG for a purchase consideration of S$5,010,026.70, based on the initial investment cost. Upon completion of the divestment of Hayden Properties by the Target Company, Hayden Properties ceased to be a member of the Target Group.

As the disposal was made for the purpose of a corporate restructuring exercise, the Target Company's directors are of the view that the transaction was not entered into on normal commercial terms and was not conducted on an arm's length basis.

Royce Properties

On 16 April 2013, the Target Company acquired from Hayden Properties 24 preference shares in Royce Properties for an aggregate consideration of S$1,285,812. This consideration is based on the initial investment cost. This acquisition was undertaken to maintain the Target Company's 39.9% underlying economic interest in Royce Properties. Royce Properties undertook a restructuring pursuant to which its junior notes and redeemable preference shares were restructured into a single tranche of new junior notes. As a result of this restructuring, the Target Company is entitled to approximately 39.9% of the underlying economic interest in The Ritz-Carlton Residences (that is, the distributable profits of Royce Properties following the discharge of all debts of Royce Properties) through its ownership of junior notes issued to the Target Company by Royce Properties.

The Target Company's directors are of the view that the transaction was not entered into on normal commercial terms and was not conducted on an arm's length basis.

AHS

On 27 March 2014, 600,000 shares in the issued share capital of AHS, representing 20.0% of the shareholding interest in AHS, were transferred to the Target Company from KOPG for an aggregate consideration of S$1,150,000, comprising (a) S$600,000 for the shareholding interest in AHS, and (b) S$550,000 for advances provided to AHS by KOPG.

The Target Company's directors are of the view that the transaction was not entered into on normal commercial terms and was not conducted on an arm's length basis.

(5) International Management Agreement between PTTCP and Franklyn Singapore

On 23 May 2011, PTTCP entered into an international management agreement with Franklyn Singapore, a wholly-owned subsidiary of KOPG, for the provision of management and operational responsibilities in relation to Montigo Resorts, Nongsa by Franklyn Singapore.

The agreement commenced on 23 May 2011 and terminates on 31 March 2022, being the end of the financial year in which the tenth anniversary of the execution of the international management agreement falls. Franklyn Singapore had the option of extending the term of this agreement unilaterally for a further period of five years from 31 March 2022.

PTTCP agreed to pay Franklyn Singapore (a) a base fee of 3.0% of the total revenue of the business, (b) an incentive fee of 8.0% of the gross operating profit of the business, and (c) a corporate marketing services fee of 0.5% of the total revenue of the business.

On 7 March 2013, Franklyn Singapore novated its rights, liabilities and obligations under the international management agreement to the Target Subsidiary KOP Hospitality with effect from 18 September 2012. The fees paid to Franklyn Singapore by PTTCP between 23 May 2011 and 17 September 2012 in consideration for the above services provided amounted to S$17,297.

The Target Company's directors are of the view that the international management agreement was entered into on normal commercial terms and was entered into on an arm's length basis.

(6) Technical Services Agreement

On 1 June 2011, PTTCP entered into a technical services agreement with Franklyn Singapore, a wholly-owned subsidiary of KOPG, for the provision of technical services in relation to the design, planning, development, construction, furnishing and equipping of Montigo Resorts, Nongsa.

Under the agreement, Franklyn Singapore was engaged to provide technical services which included:

(a) design review services;

(b) construction review services; and

(c) operating supplies specification review,

for a period of 18 months commencing from 1 October 2009 or until the completion of Montigo Resorts, Nongsa, whichever is sooner. The technical services agreement was extended for another six months from 1 April 2011 to 30 September 2011.

The aggregate amount of fees paid by the Target Group to Franklyn Singapore during the Relevant Period was as follows:

FY2011 (US$)	FY2012 (US$)	FY2013 (US$)	1 April 2013 to the Latest Practicable Date (US$)
133,333	60,000	-	-

The Target Company's directors are of the view that the agreement was made on normal commercial terms and was conducted on an arm's length basis.

(7) Establishment Fee for Interested Persons

The Target Group's employees are entitled to a fee share as introducer and/or executor of a transaction. As an introducer, an employee is entitled to 20.0% or a share of 20.0% of the fees collected by the Target Group, after deducting expenses incurred in the transaction (the "**Introducer Fee Share**"), if the employee introduces a client for a transaction which is successfully completed. If an employee, or an employee is part of the team that, executes a transaction, then the employee shall be entitled to an additional 10.0% or an additional share of 10.0% of the fees collected by the Target Group, as the case may be, after deducting expenses incurred in the transaction (the "**Executor Fee Share**").

The apportionment of the Introducer Fee Share and/or Executor Fee Share shall, as far as possible, be commensurate with the employee's contribution in the transaction and the apportionment will be determined by the Target Company or its subsidiary, as the case may be, at its sole discretion.

During the Relevant Period, the aggregate amount of Introducer Fee Share and/or Executor Fee Share paid to interested persons was as follows:

	FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
Ong Chih Ching	-	300,000	-	-
Leny Suparman	-	186,108	-	-
Joey Ong	-	122,000	-	-

The Target Company's directors are of the view that the arrangement was made to incentivise its employees and therefore was not on normal commercial terms and was not entered into on an arm's length basis.

The Introducer Fee Share and Executor Fee Share arrangement ceased on 1 April 2013. Following the Completion, the Target Group does not expect to enter into similar fee sharing arrangement with any interested person.

(8) Fee Charge for Lease of Unit at The Ritz-Carlton Residences

On 14 October 2013, Leny Suparman engaged the Target Company to market the unit at #19-01, The Ritz-Carlton Residences for lease for a two-year tenure.

The unit was leased on 15 December 2013 and the Target Company earned a fee of S$32,000 for the marketing services provided.

As the fee earned by the Target Company is comparable to market rates, the Target Company's directors are of the view that the arrangement was made on normal commercial terms and was entered into on an arm's length basis.

(9) Right of Use Arrangement

From 1 September 2012 to 31 December 2013, the Target Company and KOPG had a right of use arrangement in respect of the office premises at 2 Shenton Way, #12-02 SGX Centre 1, Singapore 068804 which was leased by KOPG. The premises were used as a corporate office for both the Target Company and KOPG. Pursuant to the right of use arrangement, rental and other amounts payable in respect of the office premises were allocated to the Target Company by KOPG.

The aggregate amount paid by the Target Group to KOPG during the Relevant Period was as follows:

FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
-	-	415,565	552,632

As the Target Company was charged for the arrangement on a cost to cost basis, the Target Company's directors are of the view that the arrangement was not made on normal commercial terms and was not entered into on an arm's length basis.

(10) Provision of Guarantees by Interested Persons

Ong Chih Ching and Leny Suparman had on 7 March 2011 jointly provided a guarantee to CIMB Bank Berhad, Singapore Branch to secure a banking facility for the principal amount of S$20.0 million extended by CIMB Bank Berhad, Singapore Branch to the Target Company.

This facility was granted to the Target Company pursuant to a loan agreement entered into between CIMB Bank Berhad, Singapore Branch and the Target Company on 7 March 2011 for the purposes of the acquisition of junior notes and redeemable preference shares in Royce Properties. The Target Company fully repaid the loan in July 2013 and Ong Chih Ching and Leny Suparman were released from all obligations as guarantors under the loan.

The largest aggregate outstanding amount guaranteed and secured during the Relevant Period, based on month-end balances, was approximately S$20.0 million.

As no fee was paid to the above guarantors for the provision of the above guarantees, the above arrangement was not carried out on an arm's length basis.

(11) Management of Renovation Works in Hamilton Scotts

On 4 February 2013, and as supplemented on 28 March 2013, Sardinia Properties and Hua Bin Investments Pte. Ltd., each an unrelated third party, as owners of Hamilton Scotts, appointed Hayden Properties as manager for renovation works in respect of units in Hamilton Scotts (the "**Works**"). On 31 March 2013, Hayden Properties in turn outsourced these obligations to the Target Company. Under this agreement, the Target Company's responsibilities include coordinating with architects and interior designers, appointing contractors and consultants and procuring building materials and furniture, fixtures and fittings in respect of the Works.

The period of appointment commenced on 4 February 2013 and expired on completion of the performance of the Works. As consideration for the Target Company's management services, it earned a project management fee of S$0.4 million.

The Target Company's directors are of the view that the arrangement was made on normal commercial terms and was entered into on an arm's length basis.

(12) Licence of "KOP" Mark

On 30 April 2013, and as varied on 27 March 2014, the Target Company entered into a licence agreement with KOPG, pursuant to which the "KOP" mark was licensed to the Target Company. Under the agreement, KOPG has granted the Target Company the right to use the mark in the PRC and Singapore. KOPG has also consented to the Target Company's use of the mark in other jurisdictions. In addition, KOPG has irrevocably appointed the Target Company to procure the necessary registration of the "KOP" mark in the countries and in the businesses that the Target Company requires, provided that the Target Company shall bear the cost of such registration. The licence fee payable by the Target Company to KOPG is S$1,000 per annum for the duration of the agreement, which is for a period of 100 years from the date of the agreement. The agreement is subject to early termination by KOPG if:

(a) the Target Company commits a breach of any of the terms of the agreement which remains unremedied for 30 days from the date of notice of breach from KOPG;

(b) the Target Company uses the trademark in any illegal, immoral or disparaging manner or in a manner which would impair the goodwill in the trademark or bring KOPG into ill repute; and/or

(c) the Target Company becomes insolvent or ceases, whether voluntarily or not, to carry on business.

In the event that KOPG intends to use the "KOP" mark in any of its future businesses, it will seek concurrence from the Directors, such consent not to be unreasonably withheld, after assessing the potential reputational risk of each of KOPG's future businesses, with Ong Chih Ching, Leny Suparman and/or any other Director who is a director and/or Controlling Shareholder of KOPG abstaining from voting. In addition, the Company shall make an announcement to notify Shareholders of the same.

As the licence fee payable is a nominal amount, the assignment was not made on normal commercial terms and was not entered into on an arm's length basis.

(13) Option Agreement in relation to Class A Units in VHE

On 3 February 2014, the Target Company entered into an option agreement with KOPG for the purchase of 1,851.83 Class A units (equivalent to a 55.0% shareholding interest) in VHE (the "**Units**"). VHE has been granted a licence by Marvel which enables VHE to hold public exhibitions in relation to Marvel's fictional comic characters, The Avengers (i.e. Iron Man, The Incredible Hulk, Captain America and Thor). The exhibitions may be held in the United States, Canada and any additional territories which may be included pursuant to negotiations between VHE and Marvel.

The option may be exercised any time during the six-month period commencing from the date of the agreement. Upon exercise of the option, KOPG shall be obliged to sell the Units to the Target Company within 30 days, in exchange for the Target Company's payment of (i) a sale price of US$5,892,843.50, (ii) all expenses incurred by KOPG in relation to its investment in VHE, and (iii) a premium to cover the cost of funds incurred by KOPG from the date of the agreement to completion of the sale of the Units to the Target Company (the "**Premium**"). The Premium shall be calculated at a rate of 5.0% on all monies paid by KOPG for the sale of the Units to the Target Company.

The consideration paid by the Target Company to KOPG in relation to the option agreement is S$1.00.

As the terms of the option agreement were premised on a cost reimbursement basis, the Target Company's directors are of the view that the arrangement was not made on normal commercial terms and was not entered into on an arm's length basis.

(14) Listing Expenses

Prior to entering into negotiations with the Company in respect of the Proposed Acquisition, the Target Company was contemplating a listing of its shares on the SGX-ST via an initial public offering. Advisors and consultants, namely auditors, lawyers, financial advisors, public relation agents and sponsor banks, were appointed to advise the Target Company and undertake such work as was necessary in respect of this exercise. The initial public offering exercise was subsequently aborted when the Target Company commenced negotiations with the Company in respect of the Proposed Acquisition.

The Target Company incurred an aggregate amount of S$1,227,481.26 for expenses relating to the initial public offering exercise. On 16 December 2013, KOPG agreed to reimburse the Target Company for these expenses. As at the Latest Practicable Date, the Target Company has been fully reimbursed pursuant to this agreement.

As the above arrangement was premised on a cost recovery basis, the Target Company's Directors are of the view that the arrangement was not entered into on normal commercial terms and was not conducted on an arm's length basis.

(15) Project Management Services Agreement for Redevelopment of Fort Canning Centre

On 1 March 2013, the Target Company entered into a project management services agreement with KOPG, in connection with the redevelopment of Fort Canning Centre into the Singapore Pinacotheque de Paris, located at 5 Cox Terrace, Singapore 179618. Under this agreement, the Target Company's services include appointing and working with the building contractor, consultants and other third parties to develop the design, specifications, project budget and coming up with the overall project timeline and ensuring that the necessary permissions, approvals or permits from the relevant authorities having jurisdiction or control over the redevelopment are submitted and secured.

The period of appointment commenced on 1 March 2013 and was terminated under a termination agreement dated 27 March 2014. As consideration for the Target Company's management services, it will be paid a project management fee of S$750,000.

The Target Company's directors are of the view that the transaction was entered into on normal commercial terms and was conducted on an arm's length basis.

B11.2 Present and On-Going Interested Person Transactions for the Target Group

(1) Lease of Units in Montigo Resorts, Nongsa

Several interested persons entered into agreements with PTTCP to lease units in Montigo Resorts, Nongsa from PTTCP.

Details of the lease agreements are set out below:

Date of agreement	Unit / estimated floor area	Interested person	Total Package
26 February 2010	Villa 7 / 3,300 sq ft	Hery Suparman	S$334,200
6 June 2011	Residence 31 / 8,138 sq ft	Ong Chih Ching	S$1,110,788[(1)]
23 March 2012	Villa 57 / 3,300 sq ft	Mr Lau, Ong Yok Kiat and Joey Ong	S$363,680[(1)]
23 April 2012	Villa 93 / 3,300 sq ft	Leny Suparman	S$356,650[(1)(2)]

Notes:

(1) After a discount of 20.0% given to employees of the Target Group.

(2) On 1 March 2010, Leny Suparman entered into an agreement with PTTCP to lease Villa 93 for a Total Package of S$347,850, after a discount of 20.0% given to employees of the Target Group ("**Original Villa 93 Agreement**"). At the request of PTTCP, Leny Suparman terminated the Original Villa 93 Agreement on 13 April 2011 to allow an unrelated third party to lease Villa 93. This was for the benefit of PTTCP since the aforesaid unrelated third party expressed willingness to lease Villa 93 at a higher Total Package. In place of Villa 93, Leny Suparman was to select another villa at substantially the same specifications and Total Package as Villa 93.

However, the transaction for Villa 93 with the third party failed to materialise and, at the request of PTTCP, Leny Suparman decided to lease Villa 93 from PTTCP. As the Original Villa 93 Agreement had already been terminated, a fresh agreement dated 23 April 2012 for a Total Package of S$356,650 which includes S$97,400 for a furniture package, was entered into between PTTCP and Leny Suparman for Villa 93.

The term of the lease agreements commenced on the date on which the respective lessees took actual possession or were deemed to have taken possession of the unit and expires on 11 January 2038 or such other date to which the term was extended. The extension of the term was subject to the fulfilment of certain conditions, including the extension of the HGB title by the relevant authorities and the acceptance by the respective lessees of the terms of the HGB title extension (including the payment of any fees necessary for the HGB title extension).

In addition to the Total Package, all lessees (including the interested persons set out above) are required to pay, among others, rental and management fees to PTTCP for the maintenance of the common area of the resort.

The aggregate amount paid by the above interested persons in respect of the lease and the management fees in connection with the lease of units in Montigo Resorts, Nongsa during the Relevant Period was as follows:

	FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
Hery Suparman	140,008	168,736	3,306	5,855
Ong Chih Ching	10,000	764,709	150,000	100,000
Mr Lau, Ong Yok Kiat and Joey Ong	-	36,368	330,796	6,882
Leny Suparman	77,775	(103,700)[(1)]	360,469	5,875

Note:

(1) Please refer to footnote (2) above.

Taking into account the 20.0% discount to the Total Package, which would be available to all the Target Group employees, the Target Company's directors are of the view that the above transactions were not entered into on normal commercial terms and were not conducted on an arm's length basis.

After the Completion, the Target Group intends to continue with the lease of units in Montigo Resorts, Nongsa to the interested persons named above. Any future variation or amendment or renewal of the terms of the above lease agreements will be subject to the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" and Chapter 9 of the Catalist Rules.

(2) Management Agreements in respect of Units in Montigo Resorts, Nongsa

During the Relevant Period, several interested persons entered into management agreements with PTTCP in respect of units they had leased in Montigo Resorts, Nongsa, pursuant to a rental programme scheme. Under these agreements, PTTCP was appointed as sole and exclusive manager for the administration and maintenance of the units in question, with absolute discretion to rent and/or promote the units in question to members of the public. In consideration for PTTCP's appointment as manager, each interested person is entitled to a percentage of the Total Package for the first two years of the term of the agreement and thereafter a fixed portion of the aggregate rental income generated by units in the same category as that of the interested person's unit.

The terms of the management agreements commence on the date the lease agreements for each respective unit commence, and expire on the expiry date of the relevant lease agreements.

Details of the management agreements are set out below:

Date of agreement	Unit / estimated floor area	Interested person
1 July 2013	Villa 7 / 3,300 sq ft	Hery Suparman
1 July 2013	Villa 57 / 3,300 sq ft	Mr Lau, Ong Yok Kiat and Joey Ong
1 July 2013	Villa 93 / 3,300 sq ft	Leny Suparman

The aggregate amount paid by the above interested persons in respect of the management agreements during the Relevant Period was as follows:

	FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
Hery Suparman	-	-	305	3,843
Mr Lau, Ong Yok Kiat and Joey Ong	-	-	1,157	4,182
Leny Suparman	-	-	580	3,525

The Target Company's directors are of the view that the above agreements were entered into on normal commercial terms and were conducted on an arm's length basis.

After the Completion, the Target Group intends to continue with the management agreements detailed above. Any future variation or amendment or renewal of the terms of the management agreements will be subject to the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" of this Circular and Chapter 9 of the Catalist Rules.

(3) Transactions with Movements Pte. Ltd.

During the Relevant Period, Movements Pte. Ltd. ("**Movements**"), a Singapore-incorporated company principally engaged in the wholesale of watches and clocks, had from time to time supplied watches to the Target Group, which were presented as gifts to potential lessees of units at Montigo Resorts, Nongsa, during promotional events organised by the Target Group. Ong Chih Ching and Leny Suparman are directors of, and own 45.0% and 35.0% of the issued and paid up share capital of, Movements, respectively. The remaining 20.0% is owned by an unrelated third party.

The aggregate amount paid by the Target Group to Movements in respect of the purchase of watches during the Relevant Period was as follows:

FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
3,364	6,806	10,539	-

Movements had sold the watches to the Target Group at a discount ranging from 40.0% to 65.0% to the list price, depending on the make and model of the watches. The Target Group was given the benefit of the discounts in view that Ong Chih Ching and Leny Suparman are directors and shareholders of Movements.

Taking into account the preferential terms Movements has granted to the Target Group, the Target Company's directors are of the view that the above arrangement was not made on normal commercial terms and was not entered into on an arm's length basis.

After the Completion, the Target Group intends to continue to purchase watches from Movements as and when the need arises so long as it is beneficial to the Target Group. Any future variation or amendment of the arrangement, including any changes to the discount granted by Movements to the Target Group, will be subject to the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" of this Circular and Chapter 9 of the Catalist Rules.

(4) Referral Fee for the Sale of Units in Montigo Resorts, Nongsa

Since 1 April 2009, any existing lessee of Montigo Resorts, Nongsa who has successfully referred a new lessee for a villa or residence in Montigo Resorts, Nongsa, is entitled to be paid a referral fee of up to 3.0% of the lease premium of the unit. This scheme applies also to eligible employees of the Target Group, who are entitled to a fee of up to 2.0%. This scheme was also extended to include Bezel Pte. Ltd. ("**Bezel**") to incentivise Bezel to introduce potential buyers for the units in Montigo Resorts, Nongsa, in exchange for a referral fee of up to 2.0%.

Bezel is a Singapore-incorporated company principally engaged in the wholesale of watches and clocks. Ong Chih Ching and Leny Suparman are directors of and own 45.0% and 35.0% of the issued and paid up share capital of Bezel, respectively. The remaining 20.0% is owned by an unrelated third party.

There were no referral fees paid by the Target Group to Bezel during the Relevant Period.

The referral fees to Bezel will be computed at the same rate as referral fees paid to other introducers and agents under this scheme. The Target Company's directors are of the view that the referral fees paid to any interested person under the scheme was made on normal commercial terms and was entered into on an arm's length basis.

After the Completion, the Target Group intends to continue the scheme so long as it is beneficial to the Target Group. Any future variation or amendment of the scheme, including any changes to the rate of referral fee payable, will be subject to the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" of this Circular and Chapter 9 of the Catalist Rules.

(5) Right of Use Arrangement

Since 1 September 2012, the Target Company and KOPG have had a right of use arrangement in respect of the office premise at Unit 330, No. 256 Baidu Road, Huangpu District, Shanghai, PRC which has been leased by KOPG. Pursuant to the right of use arrangement, rental and other amounts payable in respect of the office premise are allocated to the Target Company by KOPG.

Aqua Voyage is a wholly-owned subsidiary of KOP H&R which provides yacht chartering and management services. Since 5 January 2011, Montigo Nongsa and Aqua Voyage have had a right of use arrangement in respect of the office premises at unit #01-18B/C at Singapore Cruise Centre @ Tanah Merah which has been leased by Aqua Voyage. The premises are used as a sales gallery and marketing office for Montigo Resorts, Nongsa and a marketing office for Aqua Voyage. Rental and other amounts payable in respect of the office premises were allocated between Montigo Nongsa and Aqua Voyage in the ratio of 75:25 respectively.

The right of use arrangement was revised with effect from 1 June 2012 whereby Aqua Voyage also granted a right of use to the Target Company. Accordingly, the rental and other amounts payable were allocated in equal proportions amongst the three parties.

The respective aggregate amounts paid by the Target Group to KOPG and Aqua Voyage during the Relevant Period were as follows:

	FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
KOPG	-	-	153,646	197,969
Aqua Voyage	53,625	54,203	47,065	48,866

As the Target Group was charged for the above arrangements by KOPG on a cost basis and by Aqua Voyage on a cost apportionment basis, the Target Company's directors are of the view that the arrangements were not made on normal commercial terms and were not entered into on an arm's length basis.

After the Completion, the Target Group intends to continue with these arrangements provided they remain beneficial to the Target Group. Any future variation or amendment to the arrangements, including any changes to the percentage of reimbursement payable by the Target Group to KOPG or Aqua Voyage, will be subject to the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" of this Circular and Chapter 9 of the Catalist Rules.

(6) Provision of Guarantees by Interested Persons

As at the Latest Practicable Date, Ong Chih Ching and Leny Suparman had provided guarantees to secure the Target Group's obligations under certain credit facilities, details of which are set out below:

Financial institutions	Facilities	Facilities for use by	Guarantees provided by	Amount guaranteed	Principal outstanding as at the Latest Practicable Date (approximately)
UOB Limited, London Branch	Term loan facility of £8,677,500	CRE	Ong Chih Ching and Leny Suparman	£8,677,500	£7,952,500
CIMB Niaga	Loan facilities of US$17.0 million	PTMS	Ong Chih Ching and Leny Suparman	US$17.0 million	US$11.5 million

The largest aggregate outstanding amounts guaranteed and secured during the Relevant Period, based on month-end balances for UOB, London Branch and CIMB Niaga, were approximately £8,677,500 and US$12.0 million respectively. The interest rate applicable to the above facilities ranges from 3.0% to 7.0% per annum.

As no fee was paid to the above guarantors for the provision of the above guarantees, the above arrangements were not carried out on an arm's length basis.

Following the Completion, the Target Group intends to request for the discharge of the above personal guarantees by the above guarantors and replace them with corporate guarantees provided by the Enlarged Group. Should the terms and conditions of the existing facilities be affected by the withdrawal of the above guarantees, the Target Company's directors are confident that with the Enlarged Group's listing status and strengthened financial position, it should be able to secure alternative bank facilities on terms similar to those applicable to the existing facilities. In the event that the Enlarged Group will be materially affected due to the withdrawal of the guarantees or where the Enlarged Group is unable to find similar facilities on favourable terms, Ong Chih Ching and Leny Suparman have undertaken to continue the provision of the aforesaid guarantees furnished by them. Each of them has further confirmed that they will not receive any consideration (monetary or otherwise) for the provision of the above guarantees in the future.

(7) Fee for the Lease and/or Sale of Units in The Ritz-Carlton Residences

On 2 August 2012, and as varied and supplemented on 28 June 2013 and 30 June 2013 respectively, Royce Properties, as developer of The Ritz-Carlton Residences, appointed the Target Company as sales and marketing agent for the lease and/or sale of units in The Ritz-

Carlton Residences. Under this agreement, the Target Company's responsibilities include marketing the available units in The Ritz-Carlton Residences, advising on the effective pricing of these units, identifying prospective purchasers and organising and manning the sale gallery on-site with experienced sales staff.

The period of appointment commenced on 1 December 2010 and expires upon the sale and/or lease of all available units in The Ritz-Carlton Residences. Any extension of this period will be effected by mutual written agreement. For each unit sold to a purchaser introduced by the Target Company, it will be paid a fee of 2.0% to 3.0% of the purchase price after deducting any subsidies, incentives and/or discounts offered by Royce Properties. In addition, the Target Company will also assist in leasing the unsold units to potential lessees. For each unit leased to a person introduced by the Target Company, it will be paid a fee equivalent to one month's rental for every year of the lease term.

The aggregate amount paid by Royce Properties to the Target Group during the Relevant Period was as follows:

	FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
Lease	-	-	-	219,000
Sale	-	-	1,184,853	944,040

The Target Company's directors are of the view that the above transaction was entered into on normal commercial terms and was conducted on an arm's length basis.

After the Completion, the Target Group intends to continue with the agreement detailed above. Any future variation or amendment or renewal of the terms of this agreement will be entered into in accordance with the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" of this Circular and Chapter 9 of the Catalist Rules.

(8) Yacht Transfer Arrangement with Aqua Voyage

During the Relevant Period, the Target Company had a yacht transfer arrangement in respect of the 30-minute yacht transfer operated by Aqua Voyage between Singapore and Montigo Resorts, Nongsa. Under this arrangement, employees of the Target Group would, when accompanying prospective customers to Montigo Resorts, Nongsa, utilise the yacht transfer service. The Target Group would subsequently reimburse Aqua Voyage for such service in respect of these employees. Aqua Voyage charges the Target Company S$88 for each employee's two-way transfer on its scheduled departures. Aside from Aqua Voyage's scheduled departures, the Target Company may also charter a two-way journey on the yacht transfer for an aggregate amount of S$1,180.

The aggregate amount paid by the Target Group to Aqua Voyage during the Relevant Period was as follows:

FY2011 (S$)	FY2012 (S$)	FY2013 (S$)	1 April 2013 to the Latest Practicable Date (S$)
76,822	132,462	197,181	58,700

As the Target Company was granted a preferential rate for the above arrangement, the Target Company's directors are of the view that the arrangement was not made on normal commercial terms and was not entered into on an arm's length basis.

After the Completion, the Target Group intends to continue with these arrangements provided they remain beneficial to the Target Group. Any future variation or amendment to the arrangement will be subject to the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" of this Circular and Chapter 9 of the Catalist Rules.

(9) Corporate Services Agreement between KOPG and the Target Company

On 15 February 2014, the Target Company entered into a corporate services agreement with KOPG to provide corporate services to KOPG comprising mainly the following:

(a) information technology services;

(b) finance and accounting services;

(c) human resources, payroll and office administration services; and

(d) office and room facilities services,

for an initial term commencing 1 April 2013 till 31 March 2014 (the "**Initial Term**"). Thereafter, the agreement is renewable on an annual basis. In consideration of the services provided during the Initial Term, KOPG agreed to pay the Target Company an aggregate amount of S$3,000,000 (excluding GST). As at the Latest Practicable Date, the aggregate amount paid by KOPG to the Target Company in respect of this agreement was S$2,625,000.

From time to time, the Target Company may also provide various services to KOPG and its subsidiaries on an ad-hoc basis that is outside the scope of the corporate services agreement. From 1 April 2013 to the Latest Practicable Date, the Target Company was paid S$1,958,000 pursuant to work done in arranging external financing in relation to The Ritz-Carlton Residences.

The Target Company's directors are of the view that the agreement was not made on normal commercial terms as the fees paid by KOPG to the Target Company were based on a cost plus 5.0% margin basis and was not conducted on an arm's length basis.

After the Completion, the Target Group intends to continue with this agreement as well as to continue the provision of other ad-hoc services to KOPG and/or its subsidiaries provided they remain beneficial to the Target Group. Any future variation or amendment to the agreement will be subject to the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" of this Circular and Chapter 9 of the Catalist Rules.

(10) Corporate Services Agreement between Aqua Voyage and the Target Company

On 15 February 2014, the Target Company entered into a corporate services agreement with Aqua Voyage to provide corporate services to the Aqua Voyage comprising mainly the following:

(a) information technology services;

(b) finance and accounting services;

(c) human resources, payroll and office administration services; and

(d) office and room facilities services, for a two-year period commencing 1 April 2013 (the "**Initial Term**"). Thereafter, the agreement is renewable on an annual basis. In consideration of the services provided during the Initial Term, Aqua Voyage agreed to pay the Target Company a monthly fee of S$13,200 (excluding GST). As at the Latest Practicable Date, Aqua Voyage has not paid the Target Company in respect of this agreement.

The Target Company's directors are of the view that the agreement and the other ad-hoc services provided were not made on normal commercial terms as the fees paid by Aqua Voyage to the Target Company were based on a cost plus 5.0% margin basis and were not conducted on an arm's length basis.

After the Completion, the Target Group intends to continue with this agreement. Any future variation or amendment to the agreement will be subject to the guidelines described in Section 8.13 of this Circular titled "Guidelines and Review Procedures for Future Interested Person Transactions" of this Circular and Chapter 9 of the Catalist Rules.

B12. CONFLICT OF INTERESTS

In general, a conflict of interests arises when any of the Target Company's directors, Controlling Shareholders or their respective Associates is carrying on or has any interest in any other corporation carrying on the same business or dealing in similar products as the Company. All potential conflicts of interests have been mitigated as follows:

KOPG

The Target Company's Controlling Shareholder, KOPG, is a diversified and fully integrated real asset investment, development and management company headquartered in Singapore. Its businesses are founded on integrated lifestyle and real estate products and services.

Ong Chih Ching, the Target Company's Executive Chairman and Leny Suparman, the Target Company's CEO and Executive Director are currently directors of, and hold in aggregate 92.55% shareholding interests in, KOPG.

The Target Company's directors are of the view that the Target Group currently does not compete directly or indirectly with KOPG as it is not involved with any development or conduct any business operations in Singapore.

The Target Company entered into a non-compete agreement and right of first refusal with KOPG, which are described below.

On 28 March 2014, the Target Company entered into a non-compete agreement with KOPG, pursuant to which, KOPG agreed that, save for its existing projects and developments, it will not directly or indirectly, by itself or its associates undertake any activities or the carrying on of any business or trade or exercise control over an entity that competes with the business carried on or proposed to be carried on by the Target Group (including its associated companies) from time to time. The consideration for this agreement is the payment of the sum of S$1.00.

On 7 November 2013, the Target Company entered into a right of first refusal with KOPG, pursuant to which, KOPG has granted the Target Company a right of first refusal over any proposed sale of its interests (direct or indirect) in (a) the ordinary shares of Royce Properties, and (b) AHS, with effect from the date of Completion. The consideration for this agreement is the payment of the sum of S$1.00.

B13. MATERIAL CONTRACTS

The following contracts were entered into by the Target Group within the two years preceding the date of this Letter, and were entered into outside the ordinary course of business and are or may be material:

(a) licence agreement dated 30 April 2013 between KOPG and the Target Company; and

(b) option agreement dated 3 February 2014 between KOPG and the Target Company for the acquisition of Class A units in VHE.

B14. MATERIAL LITIGATION

The Target Group is not, as at the Latest Practicable Date, engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, which may have or have had in the 12 months before the date of this Circular, a material effect on its financial position or profitability, and the Target Company's directors have no knowledge of any proceedings pending or threatened against any member of the Target Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Target Group.

B15. TARGET COMPANY AUDITORS

Details, including the names, addresses and professional qualifications (including membership in a professional body) of the auditors of the Target Group for FY2011, FY2012 and FY2013 and HY2014 are as follows:

Partner in Charge	Name and Address	Professional Body	Professional Qualification
Tay Hwee Ling	Deloitte & Touche LLP 6 Shenton Way #32-00 OUE Downtown 2 Singapore 068809	Institute of Singapore Chartered Accountants	Chartered Accountant

B16. TARGET COMPANY DIRECTORS' RESPONSIBILITY STATEMENT

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

Yours faithfully
For and on behalf of
the Board of Directors of
KOP Properties Pte. Ltd.

Leny Suparman
CEO and Executive Director

12 March 2014

The Board of Directors
Scorpio East Holdings Ltd
25 Tai Seng Ave #05-01
Scorpio East Building
Singapore 534104

Scorpio East Holdings Ltd – Proposed acquisition of the entire issued and paid-up capital of KOP Properties Pte Ltd

Independent Valuation Summary Letter

Dear Sirs:

1. Introduction

Ernst & Young Solutions LLP **("EY"** or **"we"**) has been appointed by the Board of Directors (the "**Directors**") of Scorpio East Holdings Ltd. (**"Scorpio"** or the **"Company"**) to perform professional services relating to the valuation of 100% equity stake in KOP Properties Pte. Ltd. (**"KOPP"**) in connection with proposed acquisition by the Company of the entire issued and paid-up share capital of KOPP (**"Proposed KOPP Acquisition"**).

This letter has been prepared pursuant to Rule 1015 of the Singapore Exchange Securities Trading Limited Listing Manual and for the purpose of disclosure as an appendix to the Company's Circular to be issued in relation to, *inter alia*, the Proposed KOPP Acquisition ("**Circular**"). This is a summary of the information contained in our Independent Valuation Report dated 12 March 2014 (the "**Report**"). Accordingly, this letter should be read in conjunction with the full text of the Report.

2. Terms of reference

The objective of this letter is to provide an independent view of the fair market value of 100% equity interests in the issued and paid-up share capital of KOPP, assessed on a proforma basis assuming that the following group structure ("Proforma KOPP Group") is in existence as at 30 September 2013 (the "**Valuation Date**").

The **Proforma KOPP Group** comprises KOPP and the following:

(i) 100% equity interest in Montigo Nongsa Pte. Ltd.;

(ii) 100% equity interest in P.T. Teguh Cipta Pratama;

(iii) 100% equity interest in KOP Properties Ltd.;

(iv) 100% equity interest in KOP Hospitality Pte. Ltd;

(v) 100% equity interest in KOP Luxury Lifestyles Pte. Ltd.;

(vi) 100% equity interest in Franklyn Hotels & Resorts (Europe) Ltd.;

(vii) 100% equity interest in P.T. Montigo Seminyak;

(viii) 100% equity interest in Gramercy Properties Pte. Ltd.;

(ix) 85% equity interest in The Cranley Hotel (IOM) Ltd.;

(x) 85% equity interest in Cranley Hotel Ltd.;

(xi) 85% equity interest in Cranley Real Estate Ltd.; and

(xii) 20% equity interest in Art Heritage Singapore Pte. Ltd.

We are not expressing an opinion on the commercial merits and structure of the Proposed KOPP Acquisition and accordingly, this letter and the Report do not purport to contain all the information that may be necessary or desirable to fully evaluate the commercial or investment merits of the Proposed KOPP Acquisition by the shareholders of Scorpio. The assessment of the commercial and investment merits of the Proposed KOPP Acquisition is solely the responsibility of the Directors. Additionally, our work should not be construed as investment advice to the current and prospective investors of Scorpio.

We have not conducted a comprehensive review of the business, operational or financial conditions of the Proforma KOPP Group, and accordingly this letter and our Report do not make any representation or warranty, express or implied in this regard.

The scope of our engagement does not require us to express, and we do not express, a view on the future prospects of Scorpio and the Proforma KOPP Group. We are, therefore not expressing any views on the future trading price of the shares or the financial condition of Scorpio upon completion of, *inter alia*, the Proposed KOPP Acquisition.

Our terms of reference do not require us to provide advice on legal, regulatory, accounting, property or taxation matters and, where specialist advice has been obtained by Scorpio and/or KOPP and made available to us, we have considered and, where appropriate, relied upon such advice.

Our work is not of the same nature as an audit, and does not constitute an audit. We are not, therefore issuing an audit opinion. Instead, our work is in the nature of a review of the information provided to us, and discussions with members of management of Scorpio (the **"Scorpio Management"**), members of management of KOPP (the "**KOPP Management**") and independent property appraisers, including Cushman & Wakefield VHS Pte Ltd, KJPP Rengganis, Hamid & Rekan and HVS London Office.

Use of our letter and the Report

This letter and the Report are addressed to, and for the use and benefit of the Directors of Scorpio for the purpose as set out above, and accordingly neither the Report nor this letter may be used or relied upon by, nor confer any benefit to, any other person (including without limitation, the shareholders of Scorpio and the prospective investors of Scorpio). Any recommendation made by the Directors to the shareholders of Scorpio shall remain the responsibility of such Directors.

Reliance on information and representation

In the course of our work, we have held discussions with KOPP Management and Scorpio Management. We have also examined and relied on information provided by them and reviewed other relevant publicly available information. We have not independently verified all such information provided or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. However, we have made reasonable enquiries and exercised our judgement on such information and have performed our valuation on such basis.

Our work specifically excludes estimating the fair values of the real estate properties held by the Proforma KOPP Group. Instead, we have relied on property valuation reports prepared by independent appraisers, without any verification. KOPP Management represented that we can rely on these external appraisal reports to be the fair value of the underlying properties.

KOPP Management have confirmed to us, upon making all reasonable enquiries and to their best knowledge and belief, that the information provided to us constitute full and true disclosure, in all material respects, of all material facts relating to the Proforma KOPP Group as required for the purposes of our valuation (and there is no omission of material information, of which if any, would make any of the information considered herein inaccurate, incomplete, or misleading in any material respect).

In no circumstances shall we be liable, other than in the event of our bad faith or wilful default, for any loss or damage, of whatsoever nature arising from information material to our work being withheld or concealed from us or misrepresented to us by the KOPP Management and the Directors, employees, or agents of Scorpio or any person of whom we may have made inquiries of during the course of our work.

3. Valuation methodology

We have adopted Fair Market Value as the standard of value. Fair Market Value is generally defined as the amount at which an asset could be exchanged between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, acting in an arm’s length transaction, in an open and unrestricted market.

We have assessed the Fair Market Value of KOPP on a going concern basis as at 30 September 2013 by using a sum of parts approach to aggregate the fair market values of its underlying operations, investments and surplus assets. In determining the fair market values of the underlying investments, we have used various applicable valuation methodologies, such as discounted cash flows methodology under income approach and adjusted net assets methodology under cost approach.

When using the discounted cash flows methodology under the income approach, we have discounted the projected free cash flows from the businesses of the relevant investments with an appropriate discount rate having considered, amongst all relevant risk factors, such as business sizes, business environment, stages of growth, riskiness of cash flows. The free cash flow of the underlying businesses has been projected for the period commencing on 1 October 2013 to 31 December 2033 (as applicable) with a terminal value attributed.

In addition, we have also assessed the reasonableness of our valuation results by cross-checking the fair market value determined under the income approach with the market multiple methodology under the market approach.

When using the adjusted net assets methodology under the cost approach, all the assets and liabilities are adjusted to their fair market values. The derived aggregate value of these assets is set off against the estimated value of all existing and potential liabilities to determine the fair market value of the investments.

Our valuation is based on various assumptions with respect to the Proforma KOPP Group business, including their respective present and future financial condition, business strategies and the environment in which they will operate in the future. These assumptions are based on the information that we have been provided with and our discussions with or on behalf of the KOPP Management, and reflect current expectations and views regarding future events, and therefore necessarily involve known and unknown risks and uncertainties.

Amongst other assumptions stated in the Report, the key assumptions are as follows:

1. The Proforma KOPP Group will continue to operate on a going concern basis;

2. The Proforma KOPP Group is assumed to be able to renew underlying hotel leases and /or business licenses with minimum costs before the expiry of such leases / licenses;

3. There will be no significant change in the operations and business strategy of the Proforma KOPP Group subsequent to the Valuation Date;

4. The Proforma KOPP Group have proper and good title to the property, plant and equipment without any liens or encumbrances unless otherwise stated;

5. The financial forecast (including but not limited to the hospitality business and the art gallery business) and its underlying assumptions reflects KOPP Management's future business plans and is assumed not to contravene existing regulatory requirements;

6. The Proforma KOPP Group will be able to obtain the requisite debt or equity funding from financial institutions, shareholders, or potential investors on a timely and commercially reasonable terms basis to meet its cash flow requirement;

7. The level of capital expenditure and net working capital projected in the financial forecast is assumed to be sufficient to meet the forecast growth;

8. Save as disclosed in the Circular, the Proforma KOPP Group has no material or significant contingent liabilities or uncertainty, including any litigation pending or threatened, as at the Valuation Date that warrants consideration in the forecast;

9. There is no substantial commitment or uncertainty that has arisen subsequent to the Valuation Date, which is material to be considered in the forecast;

10. The unaudited consolidated financial statements of the Proforma KOPP Group as at 30 September 2013 provided by KOPP Management fairly reflect their respective financial positions as at the Valuation Date;
11. The taxes applicable to the Proforma KOPP Group will be as projected in the forecast;
12. There will be no capital gains tax arising from the transfer of share of KOPP or indirect transfer of underlying entities' shares of Proforma KOPP Group, under Singapore or the respective entities' tax laws. We have not considered or quantified the impact of any potential capital gains tax that may arise in other jurisdictions if the properties were sold separately in the respective entities country of operations;
13. There are no adverse changes to the economic and real estate market conditions, as well as changes in regulatory, fiscal and other government policies in the countries in which the operations of the Proforma KOPP Group are located;
14. The valuation results appraised by the real estate valuers are representative of the fair market values of the underlying properties owned by the Proforma KOPP Group as of the Valuation Date;
15. The redemption of the Junior Notes held by KOPP will occur only upon sale of all remaining units of The Ritz-Carlton Residences, which is assumed to be completed by end of FY2018. Upon redemption, KOPP will be entitled to receive the principal sum of the Junior Notes, fixed interest and special interest thereon; and
16. KOPP will be able to earn an incentive fee on the basis that The Ritz-Carlton Residences project will earn net income in excess of the hurdle rate. It is assumed that such incentive fee will only be receivable at the end of FY 2018 when sale of all remaining units of The Ritz-Carlton Residences is completed.
17. We assume that as at Valuation Date, approval will be obtained from the Singapore Tourism Board ("STB") for the 20% equity ownership interests in AHSPL to be transferred from KOP Group Pte Ltd to the Proforma KOPP Group. As at the date of our report, we understand that approval has been obtained.

The estimates of earnings and cash flow data, to the extent they relate to the future, reflect the expectations of the KOPP Management as to the business prospects of the Proforma KOPP Group and are solely used in our valuation analysis and are not intended for use as forecasts or projections of future operations.

Furthermore, there will usually be differences between the estimated and actual results because events and circumstances may not occur as expected and those differences may be material.

We have set out in the Report the key assumptions used in our valuation as well as risk factors that, in our opinion, may have a material impact on the valuation of KOPP. It should be noted that it is not an exhaustive list of all risk factors relevant to KOPP.

4. Conclusion

In summary and as detailed in the Report, which should be read in conjunction with this letter to the Directors, the fair market value of 100% equity interests in the issued and paid-up share capital of KOPP, assessed on a proforma basis, is in the range of S$166.5 million to S$178.2 million as at the Valuation Date.

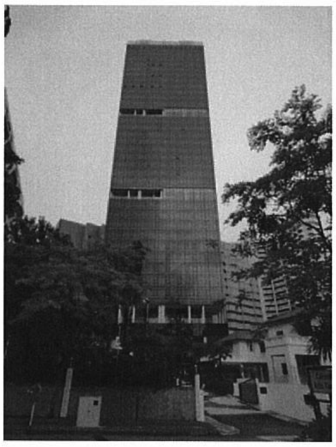
Our views are based on the current economic, market, industry, regulatory, monetary and other conditions and on the information made available to us as of the date of this letter and the Report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility and are not required to update, revise or reaffirm our conclusion set out in this letter to reflect events or developments subsequent to the date of this letter and the Report.

Yours faithfully,
For and on behalf of
Ernst & Young Solutions LLP

Andre Toh Sern
Partner

Executive Summary

65 Cairnhill Road The Ritz-Carlton Residences, Singapore 229672 (34 Retained Units)



Valuation Date: 31 October 2013

Valuation Purpose: For listing, reverse takeover or financing purposes only.

Location/Situation: The Ritz-Carlton Residences is located along Cairnhill Road, a short distance from its junction with Scotts Road. It is situated about 3 minutes drive from the prime shopping and hotel belt along Orchard Road.

Developments in the vicinity comprise a mix of residential developments, hotels, shopping complexes, office buildings and low-rise terrace & conservation houses.

Description: Twenty-six units of 3-bedroom, six units of 4-bedroom apartments, a junior penthouse and a duplex penthouse with a roof terrace, located within a 36-storey block in The Ritz-Carlton Residences.

Total Strata Floor Areas: 9,478 sq m or 102,020 sq ft

Tenure: Estate in Fee Simple (Freehold)

Year of Completion: The Temporary Occupation Permit was issued on 29 August 2011 and the Certificate of Statutory Completion on 18 July 2012.

Occupancy: We understand three units, #15-02, #22-02 and #30-02, are tenanted whilst the other units are vacant.

Aggregate Market Value of remaining unsold units, assuming vacant possession and free from encumbrances:	S$384,590,000/-	S$40,577 per sq m/ S$3,770 per sq ft on saleable floor area of unsold units

This summary is strictly confidential to the addressee. It must not be copied, distributed or considered in isolation from the full report.

KJPP Rengganis, Hamid & Rekan
Property - Business Valuation & Advisory Services
Izin Usaha KJPP No. : 2.09.0012

VALUATION CERTIFICATE

Date of Valuation	:	31 October 2013
Our Reference	:	RHR-Ct/1-P/XI/2013-191
Valuation Prepared for	:	KOP Properties Pte Ltd
Purpose of Valuation	:	Initial Public Offering (IPO) or reverse takeover of a listed company
Date of Inspection	:	13 November 2013
Address of Property	:	Jalan Hang Lekir, Sambau Sub District, Nongsa District, Batam City, Riau Islands Province, Indonesia
Type of Property	:	33 units villa, 88 units residence (work in progress), and resort facilities
Brief Description	:	The subject property is the section of the resort development known as Montigo Resorts being valued comprises of 33 units villa, 88 units residence, and completed with facilities such as main reception & Pantai Restaurant, spa, executive club house, Tiigo Bar & swimming pool, TADD's Restaurant & swimming pool, Olo Kid's Club & water feature pool, retail shop, meeting & banquet rooms, banquet kitchen, BOH, laundry & gym, tennis court, organic farm, event lawn, watersport and private jetty.

No	Building Type	No. of Units	Total Building Area (sqm)
1	Villa	33	12,678
2	Residence	88	16,644
3	Main Reception & Pantai Restaurant	1	1,132
4	Spa	1	988
5	Executive Club House	1	72
6	Tiigo Bar & Swimming Pool	1	993
7	TADD's Restaurant & Swimming Pool	1	2,030
8	Kid's Club & Water Feature Pool	1	383
9	Retail Shop, Meeting & Banquet Rooms, Banquet Kitchen, BOH, Laundry & Gym, and Common Corridor	1	2,123
10	Tennis Court	1	697
11	Genset Room	1	697
	Total	130	38,435

Location : The subject property is located on the west side of Jalan Hang Lekir, Sambau Sub District, Nongsa District, Batam City, Riau Islands Province. It is also located:

- about 434 meters to the north-west of intersection between Jalan Hang Lekir and Jalan Hang Lekiu;
- about 2.2 kilometers to the south-west of Nongsa Ferry Terminal;
- about 8.5 kilometers to the north-west of Hang Nadim International Airport.

Nongsa is known as location for tourism and resort development. This area comprises resorts, marinas and golf courses that stretch the length of its coast and make it

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		become the main tourist attraction which only 25 minutes away from Singapore by ferry.
Site Details	:	The site is irregular in shape. It is undulating and hilly, its elevation is higher than fronting road. It has a direct access from Jalan Hang Lekir of about 8 meters wide. The site frontage is about 400 meters while the maximum depth is about 230 meters. It has direct access to the beach with frontage of about 1 kilometer. The beach contour is relatively undulating with brown sand color.
Land Tenure	:	The subject property is covered by 1 (one) Right to Build Certificate (Hak Guna Bangunan – HGB) land certificate No. 1021 registered under the name of PT Teguh Cipta Pratama. The HGB is issued on 13 January 2009 and will be expired on 13 January 2038 (30 years). The land area is about 120,444 square meters as stated by Situation Drawing No. 00590/2008 dated 2 December 2008.
Registered Proprietor	:	PT Teguh Cipta Pratama
Description of Subject Development	:	As of inspection we found that the 33 units villa buildings (2-BR) have been completed and 88 units of residence undergoing construction (1-BR, 3-BR, and 6-BR). The overall construction progress of the Montigo Resort is about 80% with detail as follows:

Description	Progress	
	Structure & Architecture	Fixture & Furniture
Villas	100%	96%
Residences	20%	20%
Facilities:		
Main Reception & Pantai Restaurant	100%	-
Spa	100%	-
Executive Club House	100%	-
Tiigo Bar & Swimming Pool	100%	-
TADD's Restaurant & Swimming Pool	100%	-
Olo Kid's Club & Water Feature Pool	100%	-
Retail Shop, Meeting & Banquet Rooms, Banquet Kitchen, BOH, Laundry & Gym and Common Corridors	100%	-
Tennis Court	100%	
Genset Room	100%	

The villas opening were held in June 2012.

Town Planning :

- Zoning : accommodation supporting tourism activity
- Site Coverage (KDB) : 25%
- Plot Ratio (KLB) : 0.73
- Height Limitation : 12 meters

It is also covered by permits as follows:

- Planology Ruling Letter No. 028/FP-REN/1/2009 dated 22 January 2009 under the name of PT Teguh Cipta Pratama for total permitted building area of about 88,394 square meters;

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- Building Permit (IMB) No. KPTS.090/IMB/III/2010 dated 22 March 2010 under the name of PT Teguh Cipta Pratama for total permitted building area of about 53,338 square meters.

Valuation Assumption : In this valuation, we assumed that remaining the villas and residences have not been sold and are still under ownership of the Company.

i) **Market Value 'as is':**
The subject property is valued in its existing condition. The Market Value 'as is' is based on the 80% of overall construction progress.

ii) **Potential Value (as if Completed):**
Reflecting the expectation and perception of market participants at the date of the valuation, using special assumption that the development has been completed using specification of a 5-star resort. The unsold section of the completed development will comprise 33 units villa and 88 units residence. The resort is assumed to be managed and operated by a 5-star hotel operator.

Basis of Valuation : Market Value

Method of Valuation :

<table>
<tr><th>Market Value</th><th>Approach and Methodology</th></tr>
<tr><td>Market Value 'as is'</td><td>
<u>DCF + Sales Staging + Profit Sharing</u>

Income Approach

- DCF
We have projected the net operating income from 33 units villa and 77 units residence (unsold section) which are assumed to be operated as a 5-star hotel.

- Profit Sharing
We have projected the net operating income from 49 units villa and 8 units residence (sold section) which are assumed to be operated as a 5-star hotel, then deducted with the owner's return from those units based on the existing lease agreement.

Market Approach

For each type we have adopted the following methods:
<table>
<tr><td>10 units 3BR-residence</td><td>Market Approach with sales staging (to take into account the number of units sold)</td></tr>
<tr><td>1 unit 6BR residence</td><td>Market Approach with direct comparison</td></tr>
</table>
The total revenue is deducted with cost to complete and profit & risk factor allowance.
</td></tr>
</table>

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<table>
<tr><td></td><td><u>Sales Staging + Profit Sharing</u>

Income Approach

- Profit Sharing Sold Section
We have projected the net operating income from 49 units villa and 8 units residence (sold section) which are assumed to be operated as a 5-star hotel, then deducted with the owner's return from those units based on the existing lease agreement.

- Profit Sharing Unsold Section
We have projected the net operating income from 33 units villa and 77 units residence (unsold section) which are assumed to be operated as a 5-star hotel, then deducted with the owner's return from those units based on the existing lease agreement.

Market Approach

For each type we have adopted the following methods:
<table><tr><td>33 units villa</td><td rowspan="3">Market Approach with sales staging (to take into account the number of units sold)</td></tr><tr><td>77 units 1BR-residence</td></tr><tr><td>10 units 3BR-residence</td></tr><tr><td>1 unit 6BR residence</td><td>Market Approach with direct comparison</td></tr></table>
The total revenue is deducted with cost to complete and profit & risk factor allowance.</td></tr>
<tr><td>Potential Value (as if Completed)</td><td>The procedure to derive the Potential Value is generally the same with the Market Value's procedure above. The difference is only for the cost to complete and profit & risk factor allowance which are not taken into account in Potential Value's calculation.</td></tr>
</table>

Valuation :

Having considered all relevant information and the prevailing market condition, we are of the opinion that the Market Value and Potential Value the unsold section of Montigo Resort located on Jalan Hang Lekir, Sambau Sub District, Nongsa District, Batam City, Riau Islands Province, Indonesia on 31 October 2013, subject to our comments herein, is:

Market Value 'as is':

SGD 67,745,000/-
(SINGAPORE DOLLARS SIXTY SEVEN MILLION SEVEN HUNDRED FORTY FIVE THOUSAND)

Potential Value (as if Completed):

SGD 91,668,000/-
(SINGAPORE DOLLARS NINETY ONE MILLION SIX HUNDRED SIXTY EIGHT THOUSAND)

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By using exchange rate as of date of valuation SGD 1= Rp9,068/-, the Market Value and Potential Value is:

Market Value 'as is':

Rp614,312,000,000/-
(SIX HUNDRED FOURTEEN BILLION THREE HUNDRED TWELVE MILLION RUPIAHS)

Potential Value (as if Completed):

Rp831,245,000,000/-
(EIGHT HUNDRED THIRTY ONE BILLION TWO HUNDRED FORTY FIVE MILLION RUPIAHS)

Finally, in accordance with our normal practice we confirm that this Valuation Certificate is as summary only and should be read in accordance with full report. This report should only be used for the specific purpose to which it refers. We advise that prior to the publication the whole or any part or reference there to any other document, statement or circular, or in any communication with third parties there should be our written approval of the form and context in which it will appear.

Yours faithfully,

KJPP Rengganis, Hamid & Rekan

KJPP Rengganis, Hamid & Rekan

Ir. Rengganis Kartomo, MAPPI (Cert)
Managing Partner
Licensed Valuer No. PB-1.08.0006
MAPPI No. 95-S-0632

KJPP Rengganis, Hamid & Rekan
Property - Business Valuation & Advisory Services
Izin Usaha KJPP No. : 2.09.0012

VALUATION CERTIFICATE

Date of Valuation	:	31 October 2013
Our Reference	:	RHR-Ct/1-P/XI/2013-191
Valuation Prepared for	:	KOP Properties Pte Ltd
Purpose of Valuation	:	Initial Public Offering (IPO) or reverse takeover of a listed company
Date of Inspection	:	8 November 2013
Address of Property	:	Jalan Petitenget, Seminyak Sub-District, North Kuta District, Badung Regency, Bali Province, Indonesia
Type of Property	:	Resort Hotel & Spa
Brief Description	:	The Semara Resort & Spa is a 3-star hotel which is lies on land with total land area about 10,730.35 square meters. The building area is about 7,147 square meters. Hotel Grade : 3-star No. of Rooms : 63 rooms (existing) 156 rooms (proposed configuration) Hotel Operator Name : Semara – owner operated Occupancy Rate : 85% Year Built : 2010 Completion and Operational : 2011
Location	:	The subject property is located on the west side of Jalan Petitenget, Seminyak Sub-District, North Kuta District, Badung Region, Bali Province. It is also located: - about 170 meters to the north of Hu'u Bali; - about 336 meters to the east of Potato Head; - about 500 meters to the south of W Retreat and Spa Bali; - about 9 kilometers to the northwest of Tol's gate Bali Mandara; - about 12 kilometers to the north of Ngurah Rai International Airport. Petitenget is one of the prestigious villas and resorts area in Seminyak. Seminyak is a mixed tourist and residential area on the west coast of Bali, located on the north of Kuta. This area is very popular with resident expatriates and land accommodation prices are amongst the highest in Bali. The area is currently developed with plenty of luxury hotels, villas and spas. Owing to its high density of high-end shopping, combined with the clustering of many fine eating establishments, it has rapidly become one of the most well-known tourist areas on the island and most expensive

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address in Bali.

Site Details : Based on the lease agreement, we understand that the total land area of about 10,730.35 sqm from total land area 11,550 sqm. The site is regular in shape with land area of about 10,730.35 square meters, which comprised of Lot A 7,231.2 sqm, Lot B 1,670.85 sqm, Lot C 484.3 sqm, Lot D 571 sqm, Lot E 249 sqm, and Lot F 524 sqm. It is generally flat, and its elevation is higher than the fronting road. It has a direct access from Jalan Petitenget of about 8 meters wide. The site frontage is about 57 meters while the maximum depth is about 210 meters.

Land Tenure : Based on copy of land lease agreements from the Company, we understand that the subject property is covered under 5 (five) land lease agreements which lies on 1 (one) Freehold Certificate (Sertifikat Hak Milik – SHM) No. 2300 registered under the name of I Made Rai Yasa. It was issued on 19 September 1988 with total area about 11,550 square meters as stated by Gambar Situasi No. 5783/88 dated 19 September 1988.

The leasehold agreements are described as follows:

No.	Lease Agreement	Area (sq m)	Term of Leasehold	Term of Payment and Rental Price	Notes
1.	Agreement No. 82 23 June 2009	Consists of 8 lots as described as follows: - Lot A : 1,000 - Lot A1 : 1,000 - Lot B : 1,000 - Lot B1 : 256 - Lot C : 1,000 - Lot D : 1,000 - Lot E : 1,000 - Lot F : 1,000 Total : 7,256 square meters There are several amendment on land area for lot C, D, and E . Total after amendment is **7,231.2** square meters.	1 July 2009 1 July 2034	- Lot A & A1 is due on 1 July 2009 with rental rate Rp3,125,000,000/- or Rp62,500/sqm/year - Lot B & B1 is due on 1 July 2010 with rental rate Rp1,884,000,000/- or Rp60,000/sqm/year - Lot C is due on 1 July 2011 with rental rate Rp1,437,500,000/- or Rp57,500/sqm/year - Lot D is due on 1 July 2012 with rental rate Rp1,375,000,000/- or Rp55,000/sqm/year - Lot E is due on 1 July 2013 with rental rate Rp1,312,500,000/- or Rp52,500/sqm/year - Lot F is due on 1 July 2014 with rental rate Rp1,250,000,000/- or Rp50,000/sqm/year.	Based on Deed Amendment No. 98 dated 30 November 2009, the total leased land area has changes to 7,231.2 square meters with detail as follows: - Lot C : 938.6 sqm Rental rate Rp1,349,237,500/- - Lot D : 981.6 sqm Rental rate Rp1,349,700,000/- - Lot E : 1,055 sqm Rental rate Rp1,384,687,500/- The leased term period can be extended until 1 July 2059 with condition the payment should be settled before 1 July 2019 with rental rate Rp125,000/sqm/year.

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No.	Lease Agreement	Area (sq m)	Term of Leasehold	Term of Payment and Rental Price	Notes
2.	Agreement No. 51 25 February 2010	1,670.85	- Phase 1: 1 March 2010 30 June 2022 - Phase 2: 1 July 2022 30 June 2034 - Phase 3: 1 July 2034 30 June 2047 - Phase 4: 1 July 2047 30 June 2059	- Phase 1: AUD440/- per month; - Phase 2: AUD2,640/- per month; - Phase 3: AUD3,520/- per month - Phase 4: AUD4,400/- per month	-
3.	Agreement No. 45 24 January 2012	249.00	- Phase 1: 24 January 2012 1 November 2034 - Phase 2: 1 November 2034 1 November 2059	- Phase 1 is due on 29 February 2012 with rental rate Rp1,100,000,000/- or - Phase 2 is due on 1 November 2030 with rental rate Rp2,750,000,000/-	-
4.	Agreement No. 1 2 November 2009	484.30	1 July 2010 1 July 2034	Rental rate paid in advance with total rate Rp83,687,040,000/-	The lease term period can be extended for another 25 years with condition the payment should be settled before 1 July 2019 with rental rate of Rp125,000/sqm/year.
5.	Agreement No. 50 25 February 2010	571.00	- Phase 1: 1 July 2010 30 June 2016 - Phase 2: 1 July 2016 30 June 2025 - Phase 3: 1 July 2025 30 June 2034 - Phase 4: 1 July 2034 30 June 2047 - Phase 5: 1 July 2047 30 June 2059	- Phase 1: Rp2,800,000/- per month; - Phase 2: Rp4,400,000/- per month; - Phase 3: Rp6,600,000/- per month; - Phase 4: Rp8,800,000/- per month; - Phase 5: Rp11,000,000/- per month	-
6.	Agreement No. 22 10 December 2012	524.00	1 July 2009 1 July 2034	Rental rate paid in advance with total rate Rp818,750,000/-	The lease term period can be extended for another 25 years with condition the payment should be settled before 1 July 2019 with rental rate of Rp125,000/sqm/year.
TOTAL	10,730.25				

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Description of Subject Development : The Semara Resort & Spa is a 3-star hotel with 63 rooms. It consists of several buildings with total gross building area of about 7,147 square meters. It was completed in 2011, consists of lobby and receptionist, 6 guest rooms buildings, The Deck restaurant, The Georgies's Pool & Bar, Semara Spa, gym, pools, BOH and kid's club, the Presidential Suites complex, and Yoga Pavilion.

Generally the resort comprised 2 (two) storey building, with concrete frame structure, ceramic tile roofing on timber frames, ceiling painted gypsum board, plastered brick masonry and painted wall, marble tile finished floor, glass window with wooden frame, teakwood door with wooden frame.

Guest Rooms

The Guest rooms consist of 6 (six) rooms type, as follow:

Type of rooms	Total unit
Deluxe Suites	4
Executive Suites	44
Superior Poolside Rooms	4
Poolside Rooms	8
Standard Rooms	2
The Presidential Suite	1
Total	63

Condition and Renovation

The building was built in 2010 and completed/operational in 2011. At the date of our inspection, we found that the buildings are in good condition and there is an ongoing refurbishment project at The Deck (Bar & Restaurant).

Based on information from the Company, we understand that after the acquisition is completed the Company will do the renovation and refurbishment (redevelopment) to increase the room numbers to 156 rooms which includes the following:

- adding 2-storey and roof terrace to existing guestroom blocks;
- demolish existing poolside rooms and rebuild new block of 4-storey guestrooms;
- refurbish and redesign the existing spa;
- the Private Pavilion will be part of the spa;
- convert the Yoga Pavilion into new block of guestrooms;
- reduce parking area to accommodate a new plunge pool which is part of the All-day dining;

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- existing reception/concierge will be removed. The building shall be demolished and replaced with a new building for Balinese restaurant;
- a new pavilion will be added to existing Family Swimming Pool area.

The estimated time of renovation process is about 1.5 years and is scheduled to reopen in early 2015. The hotel will be shut down during renovation.

Occupancy Status

The resort has been operated for about 1.5 years. Based on our verbal information from the management, the occupancy rate in September 2013 is about 85%.

Town Planning : - Zoning : accommodation supporting tourism activity
- Site Coverage (KDB) : 50%
- Height Limitation : 15 meters

We are not provided with the Building Permit (Ijin Mendirikan Bangunan) and Building Use Permit (Ijin Penggunaan Bangunan) of buildings included in this valuation. For the purpose of this valuation, we have assumed that the property is complied with all regulation and permits related to Town Planning and Building Regulation as hotel resort and tourism activities.

Valuation Assumption : i) Market Value 'as is':
The subject property is valued in its existing condition (63 rooms with its facilities) and without consideration that the land lease will be extended.

ii) Potential Value (as if Completed):
Based on market derived perception on the most optimum development on the subject property site area, using special assumption that this Semara Resort & Spa renovation/redevelopment has been completed. The completed development will comprise 156 rooms on the date of valuation. The resort is assumed to be managed and operated by a 5-star hotel operator.

Basis of Valuation : Market Value & Potential Value

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Method of Valuation :

Market Value	Approach and Methodology
Market Value 'as is'	**Income Approach** Property Value = Hotel Income
	Cost Approach Property Value = Land Rental Value + Buildings & Site Improvements Value
Potential Value (as if renovated into 156 units)	The Market Value upon completion (Gross Development Value) is assuming that this Semara Resort & Spa renovation/redevelopment has been completed. The completed development will comprise 156 rooms on the date of valuation. The resort is assumed to be managed and operated by a 5-star hotel operator.
	Market Approach with Sales staging + Profit Sharing Property Value = Condominium Sales + Profit Sharing
	Income Approach Property Value = Hotel Income

Valuation :

Having considered all relevant information and the prevailing market condition, we are of the opinion that the Market Value of Semara Resort & Spa located on Jalan Petitenget, Seminyak Sub-district, North Kuta District, Badung Regency, Bali Province, Indonesia on 31 October 2013, subject to our comments herein, is:

Market Value 'as is':

USD25,395,000/-
(TWENTY FIVE MILLION THREE HUNDRED NINETY FIVE THOUSAND UNITED STATES DOLLARS)

Potential Value (as if renovated into 156 units):
USD54,458,000/-
(FIFTY FOUR MILLION FOUR HUNDRED FIFTY EIGHT THOUSAND UNITED STATES DOLLARS)

By using exchange rate as of date of valuation USD 1= Rp 11,234/-, the Market Value and Potential Value is:

Market Value 'as is':
Rp285,287,000,000/-
(TWO HUNDRED EIGHTY FIVE BILLION TWO HUNDRED EIGHTY SEVEN MILLION RUPIAHS)

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Potential Value (as if renovated into 156 units):

Rp611,781,000,000/-

(SIX HUNDRED ELEVEN BILLION SEVEN HUNDRED EIGHTY ONE MILLION RUPIAHS)

Finally, in accordance with our normal practice we confirm that this Valuation Certificate is as summary only and should be read in accordance with full report. This report should only be used for the specific purpose to which it refers. We advise that prior to the publication the whole or any part or reference there to any other document, statement or circular, or in any communication with third parties there should be our written approval of the form and context in which it will appear.

Yours faithfully,

KJPP Rengganis, Hamid & Rekan

KJPP Rengganis, Hamid & Rekan

Ir. Rengganis Kartomo, MAPPI (Cert)
Managing Partner
Licensed Valuer No. PB-1.08.0006
MAPPI No. 95-S-0632

HVS

4 November 2013

Board of Directors
KOP Properties Pte Ltd
#27-01 The Gateway East
152 Beach Road
Singapore 189721

Dear Board of Directors,

7-10 Chandos Street
Cavendish Square
London W1G 9DQ
020 7878 7700
020 7878 7799 FAX
www.hvs.com

Russell Kett
Chairman

Charles Human MRICS
CEO

Directors
Tim Smith MRICS
Sophie Perret
Arlett Oehmichen MRICS

London, Moscow, Mumbai, Hong Kong, Shanghai, Bahamas, Boston, Chicago, Denver, Las Vegas, Miami, Newport, RI, San Francisco, Toronto, Buenos Aires, Athens, Dubai, New Delhi, Beijing, Singapore, Atlanta, Boulder, Dallas, Houston, Mexico City, New York, Philadelphia, St Louis, Vancouver, São Paulo

Re: Cranley Hotel, London, UK

In accordance with your request, we herewith submit a Valuation Certificate pertaining to the above property. HVS has valued the property acting as an independent valuer and our report has been prepared in accordance with the Royal Institution of Chartered Surveyors' (RICS) *Appraisal and Valuation Standards*, March 2012.

This Valuation Certificate has been prepared for the inclusion in the offer document to be issued in connection with a listing of KOP Properties Pte Ltd on Catalist and/or the Circular to Shareholders in connection with a reverse takeover of a listed company ('Listco'), the sponsor-supervised listing platform of the SGX-ST and/or any publicity material relating to an offering of securities in KOP Properties Pte Ltd and/or the Listco.

Our valuation reflects the Market Value of subject property and is the valuers' subjective estimate of how a typical buyer would project the subject property's operating results to which appropriate valuation parameters have been applied. In developing an opinion of Market Value we are charged with the task of reflecting current market conditions, and how investors are underwriting their acquisitions. Since debt financing is harder to secure at the present time than it has been in the recent past, we have reflected in our opinion of Market Value the sort of terms typically on offer and have assumed that the quality of the subject Hotel would enable a typical buyer with a good covenant to obtain debt financing at these levels. We also take the view that, as global economies recover, the financial markets and hotel trading conditions will improve, returning ultimately to more buoyant trading conditions in a few years' time. At this point, we consider it likely that debt financing will be more readily available, enabling hotels to be refinanced at more attractive loan to value ratios and interest margins. This eventuality has also been factored into our consideration where we consider it a potentially realistic likelihood.

The following Valuation Certificate contains details of the property and is taken from our update summary valuation report dated 4 November 2013.

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Valuation Certificate

Date of Valuation:	4 November 2013
Valuation prepared for:	Board of Directors KOP Properties Pte Ltd #27-01 The Gateway East 152 Beach Road Singapore 189721
Purpose of the Valuation:	For Initial Public Offering or Reverse Takeover of a listed company and for Financing Purposes
Property: Address:	Cranley Hotel 10 Bina Gardens London SW5 0LA
Date of Inspection:	1 March 2013
Interest Valued:	Freehold
Date of Value:	31 October 2013
Registered Proprietor:	Cranley Hotel Limited

PROPERTY DESCRIPTION

Age:	The property has been operating as a hotel since 1980 and was last completely renovated in 2004
Property Type:	Four-star hotel
Guest Rooms & Suites:	39
Food and Beverage Facilities:	Lounge area

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VALUATION

Method of Valuation:	Income Capitalisation Approach/Direct Comparison Method
As is Value 'Hotel' 31 October 2013,	£14,200,000,
Value Per Room	£364,000

This opinion of value is subject to the comments made throughout and to all assumptions and limiting conditions set out in our report dated 4 November 2013.

Yours faithfully
HVS – LONDON OFFICE

Christof Bertschi
Associate

Tim Smith, MRICS
Director

CB:TS

HVS No: 2013050197

LETTER FROM ASIAN CORPORATE ADVISORS TO THE INDEPENDENT DIRECTORS OF SCORPIO EAST HOLDINGS LTD.

ASIAN CORPORATE ADVISORS PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No: 200310232R)

112 Robinson Road #03-02
Singapore 068902

The Independent Directors
25 Tai Seng Avenue
#06-01 Scorpio East Building
Singapore 534104

31 March 2014

THE PROPOSED ACQUISITION OF THE ENTIRE PAID-UP SHARE CAPITAL OF KOP PROPERTIES PTE. LTD. FOR THE CONSIDERATION OF S$150 MILLION

THE PROPOSED WHITEWASH RESOLUTION

1 INTRODUCTION

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as an independent financial adviser ("**IFA**") to the directors of Scorpio East Holdings Ltd. (the "**Company**" or "**Scorpio**") as at the date of this letter who are considered independent ("**Independent Directors**") for the purposes of making the recommendation in relation to the Proposed Whitewash Resolution (defined below). We note from the Circular that the Independent Directors comprise Dr Ho Kah Leong, Mr Ko Chuan Aun, Mr Toh Tian Sze, Mr Yee Kit Hong, and Mr Chia Hoo Khun Valery Kelvin.

This letter ("**Letter**" or "**IFA Letter**") sets out, *inter alia*, our views and evaluation of the whitewash resolution proposed as ordinary resolution (the "**Proposed Whitewash Resolution**") in the notice of the extraordinary general meeting ("**EGM**") of the Company as set out in the circular ("**Circular**") dated 31 March 2014 to Shareholders (defined later), which if passed by the Shareholders (defined later) other than (i) KOP Group Pte. Ltd. ("**KOPG**"); (ii) parties acting in concert with KOPG; and (iii) parties not independent of the persons mentioned in (i) and (ii) above (the "**Independent Shareholders**"), would result in a waiver by the Independent Shareholders of their rights to receive a general offer from KOPG and parties acting in concert with it in connection with the issue of the Consideration Shares (defined later) under the Proposed Acquisition (defined later). Likewise, it contains our recommendations to the Independent Directors in relation to the Proposed Whitewash Resolution.

This Letter is prepared for inclusion in the Circular in connection with, *inter alia*, the Proposed Whitewash Resolution to be issued by the Company to the registered holders ("**Shareholders**") of the ordinary shares ("**Shares**") in the capital of the Company. Unless otherwise defined or where the context otherwise requires, the definition used in the Circular shall apply throughout this Letter. Certain of the figures and computations as enumerated or set out in this letter are based on approximations and its accuracy is subject to rounding.

1.1 BACKGROUND

On 26 August 2013 ("**MOU Announcement Date**"), the Company announced that it had, on 23 August 2013, entered into a non-binding memorandum of understanding with KOPG and the individual vendors comprising Ong Chih Ching, Leny Suparman, Ong Siew Ting Geraldine and Jin Lu (the "**Original Individual Vendors**") in respect of the proposed acquisition by the Company of the entire issued and paid-up share capital of KOP Properties Pte. Ltd. ("**KOPP**" or the "**Target Company**") comprising 15,000,000 issued and paid-up ordinary shares (the "**Sale Shares**") from KOPG, the Original Individual Vendors and certain new investors (the "**Proposed Acquisition**").

On 2 December 2013 (the "**Announcement Date**"), the Company announced that it had, on 27 November 2013, in respect of the Proposed Acquisition entered into:

(i) a conditional sale and purchase agreement (the "**KOPG Acquisition Agreement**") with KOPG (as vendor) and Ong Chih Ching (as warrantor); and

(ii) conditional sale and purchase agreement (the "**Individual Vendors Acquisition Agreement**") with the Original Individual Vendors and Ang Yew Lai, Han Seng Juan, Ong Phang Hoo, Cho Kim Wing, Te Kok Chiew, Low Kheng Hong @ Lau Kheng Hong and Wang Xuan (collectively, the "**New Individual Vendors**");

Collectively, the KOPG Acquisition Agreement and the Individual Vendors Acquisition Agreement are referred as the "**Acquisition Agreements**", whilst KOPG, the Original Individual Vendors and the New Individual Vendors are referred as the "**Vendors**".

Pursuant to the Acquisition Agreements, the Company had agreed to acquire, and the Vendors had agreed to sell, the Sale Shares for a consideration of S$150 million ("**Consideration**"), subject to the terms and conditions of the Acquisition Agreements. The Consideration will be fully satisfied via the allotment and issue by the Company of 714,285,714 new consolidated Shares ("**Consideration Shares**") to the Vendors, after the Proposed Share Consolidation (defined below), at the issue price of S$0.21 per Consideration Share ("**Issue Price**"). The Consideration Shares, when allotted and issued to the Vendors, shall be allotted and issued free from any and all encumbrances and together with all rights attaching or accruing thereto. The Consideration Shares will rank *pari passu* with the existing issued Shares of the Company as at the date of issuance of the Consideration Shares. The Consideration Shares will represent 88.58% of the enlarged Share Capital of the Company immediately after the completion of the Proposed Acquisition ("**Completion**").

In connection with the Proposed Acquisition and in compliance with Rule 1015 (3)(c) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"), the Company proposes to carry out a share consolidation (the "**Proposed Share Consolidation**") involving issuance of one (1) new Share ("**Consolidated Share**") for every two (2) existing Shares. Each Consolidated Share shall rank *pari passu* in all respects with the then existing Shares and with each other, and will be traded in board lots of 1,000 Consolidated Shares. As at 18 March 2014 (the "**Latest Practicable Date**"), the issued and paid-up Share capital of the Company is S$18,396,087, comprising 184,168,117 Shares. Accordingly, immediately after the Proposed Share Consolidation, the issued and paid-up Share capital of the Company will be S$18,396,087, comprising 92,084,058 Consolidated Shares ("**Post Consolidation Share Capital**").

Lastly, we note that upon completion of the Proposed Share Consolidation and the Proposed Acquisition for the purposes of meeting the shareholding spread requirements of the Catalist Rules, the Company will undertake a proposed placement ("**Proposed Placement**") of up to 80 million placement Shares (the "**Placement Shares**") (out of which approximately 40 million Placement Shares will be placed for the purpose of complying with the relevant shareholding and distribution requirements of the Catalist Rules) at a minimum placement price of S$0.21 per Placement Share. As at the Latest Practicable Date, the terms of the Proposed Placement, including the number of Placement Shares and the placement price, have yet to be finalised pending the entry by the Company into a definitive placement agreement with Hong Leong

Finance Limited ("**Hong Leong Finance**"), in its capacity as the placement agent, for the Proposed Placement.

1.2 THE PROPOSED WHITEWASH RESOLUTION

Pursuant to Rule 14.1 of the Singapore Code on Take-overs and mergers ("**Code**"), except with the consent from the Securities Industry Council ("**SIC**"), where (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30% but not more than 50% of the voting rights and such person, or any person acting in concert with him, acquires in any period of 6 months additional shares carrying more than 1% of the voting rights, such person must extend offers immediately, on the basis set out in Rule 14 of the Code, to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares ("**General Offer**"). In addition, each of the principal members of the group of persons acting in concert with such person may, according to the circumstances of the case, have the obligation to extend the General Offer.

As at the Latest Practicable Date, the Concert Parties Group (defined later) does not hold any Shares or instruments convertible into, rights to subscribe for and options in respect of any Shares.

Upon completion of the allotment and issue of the Consideration Shares pursuant to the Proposed Acquisition, the Vendors will hold 714,285,714 Consolidated Shares, representing approximately 88.58% of the Enlarged Share Capital. In such event, the Vendors will be required under the Code to make a mandatory general offer for the Shares not already held by them pursuant to Rule 14.1 of the Code unless such obligation is waived by the SIC and the Proposed Whitewash Resolution is approved by the Independent Shareholders at the EGM.

Completion shall be conditional upon, *inter alia*:

(a) the grant by the SIC of the SIC Waiver; and

(b) the approval of the majority of the Independent Shareholders being obtained at the EGM for the Proposed Whitewash Resolution.

The SIC had, on 25 February 2014, exempted KOPG and the parties acting in concert with KOPG, namely Ong Chih Ching, Leny Suparman, Ong Siew Ting Geraldine, Jin Lu and Low Kheng Hong @ Lau Kheng Hong (collectively, the "**Concert Parties Group**") from the requirement under Rule 14 of the Code to make a mandatory offer for shares in the Company not already owned or controlled by the Concert Parties Group, as a result of the allotment and issue of the KOPG Consideration Shares by the Company to KOPG, subject to, *inter alia*, the following conditions ("**SIC Conditions**"):

(a) a majority of holders of voting rights of the Company approve at a general meeting, before Completion, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a general offer from KOPG and the parties acting in concert with it, as a result of the allotment and issue of the KOPG Consideration Shares by the Company to KOPG;

(b) the Proposed Whitewash Resolution is separate from other resolutions;

(c) KOPG and its concert parties as well as parties not independent of them, abstain from voting on the Proposed Whitewash Resolution;

(d) KOPG and its concert parties did not acquire or are not to acquire any shares or instruments convertible into and options in respect of the shares of the Company (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new shares which have been disclosed in the Circular):

(i) during the period between the announcement of the Proposed Acquisition and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

(ii) in the 6 months prior to the announcement of the Proposed Acquisition, but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to such issue;

(e) the Company appoints an independent financial adviser to advise the Independent Shareholders on the Proposed Whitewash Resolution;

(f) the Company sets out clearly in the Circular:

(i) details of the Proposed Acquisition;

(ii) the dilution effect to existing holders of voting rights upon Completion;

(iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of shares held by KOPG and its concert parties as at the Latest Practicable Date;

(iv) the number and percentage of voting rights to be acquired by KOPG and its concert parties upon Completion;

(v) specific and prominent reference to the fact that the Proposed Acquisition could result in KOPG and its concert parties holding shares carrying over 49% of the voting rights of the Company, and the fact that KOPG will as a result be free to acquire further shares without incurring any obligation under Rule 14 of the Code to make a general offer;

(vi) specific and prominent reference to the fact that Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from KOPG and its concert parties at the highest price paid by KOPG and its concert parties for the Company's shares in the past 6 months preceding the commencement of the offer;

(vii) specific and prominent reference to the fact that Shareholders by voting for the Proposed Whitewash Resolution, could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the issue of new shares in the Company to satisfy the Proposed Acquisition;

(g) the Circular states that the waiver granted by the SIC to KOPG and its concert parties from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at Section 1.2(a) to (d) above;

(h) KOPG and its concert parties obtain the SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution;

(i) to rely on the Proposed Whitewash Resolution, the Proposed Acquisition must be completed within 3 months of the approval of the Proposed Whitewash Resolution; and

(j) the Concert Parties Group provides a written undertaking to the SIC on Section 1.2(d) above.

The SIC had also ruled that Ang Yew Lai, Han Seng Juan, Ong Phang Hoo, Cho Kim Wing, Te Kok Chiew and Wang Xuan (collectively, the "**Relevant Individual Vendors**") will not be regarded as parties acting in concert with the Concert Parties Group with respect to the Company. However, the SIC had also ruled that the Relevant Individual Vendors should abstain from voting on the Proposed Whitewash Resolution.

2. TERMS OF REFERENCE

ACA has been appointed by the Company to advise the Independent Directors in respect of the Proposed Whitewash Resolution in relation to the Proposed Acquisition and the issuance of the Consideration Shares. We were neither a party to the negotiations entered into by the Company in relation to the Proposed Acquisition, the Proposed Share Consolidation, and the Proposed Placement nor were we involved in the deliberation leading up to the decision on the part of the directors of the Company ("**Directors**") to enter into the Proposed Acquisition, the Proposed Share Consolidation, and the Proposed Placement, and we do not, by this Letter or otherwise, advise or form any judgment on the merits of the transactions contemplated in the Circular defined therein as the proposed transactions (the "**Proposed Transactions**") or the possibilities or feasibilities of the completion of the Proposed Placement or the timing for which the Shares may be traded after suspension if applicable other than to form an opinion, strictly and solely on the bases set out herein on whether the Proposed Whitewash Resolution is not prejudicial to the interests of the Independent Shareholders when considered in the context of the issuance of the Consideration Shares and the valuation of the Target Group as implied by the Consideration. Our scope does not include determining the independence of the Directors for the purpose of making the recommendation in relation to the Proposed Whitewash Resolution and we do not express any views or opinion on the independence of the Directors for the purpose of making the recommendation in relation to the Proposed Whitewash Resolution.

We have confined our evaluation strictly and solely on the financial terms for the Proposed Whitewash Resolution and have not taken into account the commercial/ financial/operational/compliance risks and/or merits (if any) of or the timing for the transactions contemplated in the Circular including the structuring or inter-conditionality, of the Proposed Transactions, or the validity of any resolution or the feasibility or the possibility of a compliance placement or the possibility that the Shares may be suspended for a period of time till completion of the Proposed Placement. As such our opinion, analysis and recommendations assume that the Proposed Placement will be completed at prices to be determined by the Company in consultation with the placement agent and in the interest of the Company and its Shareholders, and that the Proposed Placement can be completed and the shareholding spread requirements of the Catalist Rules will be met after the completion. It is not within our scope to opine on the future financial performance or position of the Company, the Company and its subsidiaries (the "**Scorpio Group**" or the "**Group**"), the Target Company and its subsidiaries ("**Target Group**") subsequent to the Proposed Acquisition (the "**Enlarged Group**") or the possibility or probability that the Group or the Target Group or the Enlarged Group can improve their profitability or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the ability of the Target Group to service its borrowings (both principal and interest payment) when fall due or the fairness of the prices at which the Placement Shares may be issued pursuant to the Proposed Placement. In addition, our scope does not require us to perform any analysis or evaluation of interested party transactions or recurring interested party transaction. Such evaluation or comment remains the responsibility of the Directors and the management ("**Management**") of the Company or where applicable the directors of the Target Company ("**Target Directors**") and the management of the Target Company ("**Target Management**") although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and the Management as well as the Target Directors and Target Management, *inter alia*, regarding their assessment of the rationale for the Proposed Whitewash Resolution and the Proposed Acquisition, and have examined publicly available information collated by us including the audited financial statements as well as information including material information or developments pertaining to the Company or the Group or the Target Company or the Target Group (both written and verbal), provided to us by the Directors and Management or where applicable the Target Directors and Target Management and professional advisers of the Company, including its consultants or advisers or solicitors or auditors. We have not independently verified such information but have made such enquiries and used our judgement as we deemed necessary on such information and have found no reason to doubt the reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for, the accuracy or completeness or adequacy of such information or the manner it has been classified or presented or the basis of any valuations.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular as well as their announcements for the financial results have been reasonably made after due and careful enquiry. Likewise, we have relied upon the assurance that all statements of fact, belief, opinion and intention made by the Target Directors or Target Management in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy or completeness or adequacy of such information or statements of facts or belief or opinion or intention.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the financial statements for the six-months period ended 31 October 2013 ("**HY2014**") for the Group and the financial statement for the six-months period ended 30 September 2013 ("**THY2014**") for the Target Group. The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Target Company or the Target Group or the Enlarged Group after the completion of the transactions stipulated in the Circular. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account future or prospective performance of the Company or the Group or the Target Company or the Target Group or the Enlarged Group and neither are we responsible for it. We are therefore not expressing any view herein as to the prices at which the Shares may trade upon completion or rejection of the Proposed Acquisition or the Proposed Whitewash Resolution or the other transactions or resolutions stipulated in the Circular (if any) or voting for or voting against the Proposed Acquisition or the Proposed Whitewash Resolution or the other transactions or resolutions stipulated in the Circular (if any) or on the future financial performance of the Company or the Group or the Target Company or the plans (if any) for each of them. Estimates or analysis or evaluation of the merits of the Company or the Group or the Target Company or the Target Group or the Proposed Acquisition or the Proposed Whitewash Resolution, if any, in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our scope does not require us and we have not made any independent evaluation of the Target Group (including without limitation, market value or economic potential) or appraisal of the Target

Group's and the Group's assets and liabilities (including without limitation, property, plant and equipment, and development properties, where applicable) or contracts entered into by the Target Group or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Target Group or the Group save for (1) valuation report dated 12 March 2014 in connection with the independent, indicative fair market value range of the Target Group (the "**Independent Valuation Report**") issued by Ernst & Young Solutions LLP (the "**Independent Valuer**"); (2) property valuation reports dated 8 November 2013, 4 November 2013,and 9 January 2014 issued by Cushman & Wakefield VHS Pte. Ltd. ("**Cushman & Wakefield**"), HVS – London Office ("**HVS – London**"), KJPP Rengganis, Hamid & Rekan ("**KJPP Rengganis**") respectively in respect of the Target Group's principal freehold and leasehold properties.and (3) property valuation report dated 31 December 2013 issued by ECG Consultancy Pte Ltd ("**ECG**") in respect of the Group's property at 25 Tai Seng Avenue Singapore.With respect to such valuation, we are not experts in the evaluation (including without limitation, market value or economic potential) or appraisal of assets and liabilities (including without limitation, property, plant and equipment and development properties, where applicable) including, *inter alia*, the contracts or agreements that the Target Group or the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors and the financial statements (audited and unaudited), where applicable for the assessment.

In the course of our evaluation, we also note that there is a qualified opinion and an emphasis of matter expressed by the independent auditors (the "**Independent Auditors**") named in the annual report of the Group for the financial year ended 30 April ("**FY**" or "**FYE**") 2013 (the "**AR2013**") in their report to Shareholders dated 2 August 2013 pertaining to, *inter alia*, the notice from the Commercial Affairs Department ("**CAD**") requiring the Company's assistance with its investigation. The details of the qualified opinion and the emphasis of matter expressed by the Independent Auditors are set out in section 5.2 of this Letter and can be found in page 27 and 73 to 76 of AR2013.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Company and the Group as reflected in the unaudited and audited financial statements for the Company and the Group as at 31 October 2013 and 30 April 2013 respectively are true and fair. The Directors have also confirmed that to the best of its knowledge, nothing has come to their attention which may render the unaudited and audited financial statements for HY2014 and FY 2013 to be false or misleading in any material aspect. In addition, the Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter-alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading. Likewise, the Target Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Target Company and the Target Group as reflected in the unaudited financial statements as at 30 September 2013 and the audited financial statements as at 31 March 2013 for the Target Company and the Target Group are true and fair. The Target Directors have also confirmed that to the best of its knowledge, nothing has come to their attention which may render the unaudited financial statements for THY2014 and the audited financial statements for the financial year ended 31 March 2013 ("**TFY2013**") to be false or misleading in any material aspect. In addition, the Target Directors confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact *inter-alia* the valuation or appraisal of assets and liabilities including, *inter alia* the contracts or agreements that the Target Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading. Our views, opinion and recommendations are thus limited and subject to these matters as well as others mentioned in the Letter.

The Directors and the Target Directors further confirmed that as at the Latest Practicable Date and save for matters disclosed in this Letter and the financial statements for the Group for HY2014 and FY2013 and the financial statements for the Target Group for THY2014 and TFY2013, there has been no material changes to the Group's and the Target Group's assets and liabilities, financial position, condition and performance.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable) in effect on, and the information provided to us, as of the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, include general as well as company specific or industry specific conditions or sentiments or factors. Independent Directors and Independent Shareholders should note that our evaluation is based solely on publicly available information and other information provided by the Company, the Directors, the Target Directors as well as those disclosed in the Circular as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the relevant financial year end or interim financial period for the Company or the Group or the Target Company or the Target Group or developments both macro and company specific and that these factors do and will necessarily affect the evaluation of the Proposed Acquisition or the Proposed Whitewash Resolution and our recommendation or opinion or views. Likewise this Letter outlines some of the matters or bases or factors or assumptions which we have used in our assessment and is a summary. They are by no means exhaustive or a reproduction of all the matters or bases or factors or assumptions etc. which we have used in our assessment. The Directors and the Target Directors have jointly and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of the information and representations as provided by the Directors and the Target Directors and contained therein. The Directors and the Target Directors have confirmed to ACA that all material information including but not limited to plans or prospects or proposals or rationale involving the Proposed Acquisition or the Proposed Whitewash Resolution or the Company or the Group or the Target Company or the Target Group or the Enlarged Group or the transactions stipulated in the Circular or issue or changes to its capital structure, available to them and the Management in connection with the Proposed Acquisition or the Proposed Whitewash Resolution or such other transactions as described in the Circular or such other parties has been disclosed to ACA and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the expected future performance or future growth prospects or plans of the Company or the Group or the Target Company or the Target Group or the Enlarged Group, the omission of which would result in the facts stated and the opinions expressed by the Directors and the Target Directors in the Circular to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

In rendering our opinion and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder. As different Independent Shareholders would have different investment profiles and objectives, we would advise the Independent Directors to recommend that any individual Independent Shareholder who may require advice in the context of his specific investment portfolio, including his investment in the Company, consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter on the Proposed Acquisition, the Proposed Whitewash Resolution or the Company or the Group or the Target Company or the Target Group or the Shares or the Consideration Shares which we used or may have used may differ from the relative emphasis accorded by any individual Independent Shareholder or Independent Director, and as such the Independent Directors are advised to highlight to Independent Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Proposed Whitewash Resolution or its recommendation, following the date of the issue of this Letter.

Accordingly, our Letter or opinion or views or recommendation should not be used or relied by anyone for any other purposes and should only be used by the Independent Directors, subject to our terms of reference and the contents of this Letter as one of the basis for their opinion or views or recommendation. In addition, any references to our Letter or opinion or views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety inter alia the matters, conditions, assumptions, limitations, factors and bases as well as our terms of reference for this Letter.

3. THE PROPOSED ACQUISITION

The terms and conditions of the Proposed Acquisition are set out in Section 2 of the Circular. We recommend that Independent Shareholders read the terms and conditions contained therein carefully. A summary of the key terms and conditions of the Proposed Acquisition are as follows:

3.1 CONSIDERATION

The Company will acquire the Sale Shares at a consideration of S$150 million ("**Consideration**"), which was agreed upon after arm's length negotiation and arrived at on a willing buyer willing seller basis, taking into consideration, *inter alia*, the earnings, financial position, management experience, track record and the business prospects of the Target Group.

The Consideration will be fully satisfied via the allotment and issue by the Company of 714,285,714 Consideration Shares to the Vendors, after the Proposed Share Consolidation, at the Issue Price of S$0.21 per Consideration Share. The Consideration Shares, when allotted and issued to the Vendors, shall be allotted and issued free from any and all encumbrances and together with all rights attaching or accruing thereto. The Consideration Shares will rank *pari passu* with the existing issued Shares of the Company as at the date of issuance of the Consideration Shares.

The Consideration Shares will represent 88.58% of the Enlarged Share Capital of the Company immediately after the Completion.

The Consideration Shares shall be issued to the Vendors in the following proportion:

Vendors	Number of Consideration Shares	Consideration Shares as a percentage of the Company's issued share capital immediately after Completion (%)
KOP Group Pte. Ltd.	428,571,428	53.15
Wang Xuan	72,602,857	9.00
Ong Chih Ching	64,175,715	7.96
Leny Suparman	30,685,714	3.81
Han Seng Juan	18,750,000	2.33
Ong Phang Hoo	18,750,000	2.33
Te Kok Chiew	18,750,000	2.33
Jin Lu	18,095,238	2.24
Ang Yew Lai	12,500,000	1.55
Cho Kim Wing	12,500,000	1.55
Low Kheng Hong@Lau Kheng Hong	11,904,762	1.48
Ong Siew Ting Geraldine	7,000,000	0.87
Total	**714,285,714**	**88.58**

3.2 CONDITIONS PRECEDENT

The conditions precedent for the Proposed Acquisition can be found in Section 2.4 of the Circular. The conditions have been extracted from the Circular and are set out in italics below. We recommend that Independent Shareholders read those pages of the Circular carefully. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"***2.4 Conditions Precedent***

*Completion of the Proposed Acquisition ("**Completion**") under the Acquisition Agreements shall be conditional upon, inter alia:*

(a) ***Company Shareholders' approval.*** *The approval of the Shareholders at an EGM having been obtained for:*

(i) the Proposed Acquisition;

(ii) the Proposed Share Consolidation;

(iii) the allotment and issue of the Consideration Shares by the Company to the Vendors;

(iv) the Proposed Placement, if any;

(v) the appointment of Ong Chih Ching and Leny Suparman, amongst others, to form the reconstituted Board on and with effect from the Completion Date; and

(vi) the change of name of the Company from "Scorpio East Holdings Ltd." to "KOP Limited" subject to and with effect from Completion, subject to compliance with applicable laws and regulatory requirements;

(b) ***Independent Shareholders' approval for Proposed Whitewash Resolution.*** *The approval of the majority of the Independent Shareholders being obtained at an EGM for the Proposed Whitewash Resolution;*

(c) ***Company Board approval.*** *The approval of the Board for the Proposed Acquisition (including the execution of the Acquisition Agreements), the allotment and issue of the Consideration Shares by the Company to the Vendors and the transactions contemplated under the Acquisition Agreements;*

(d) ***KOPG Board and Shareholder approvals.*** *The approval of the board of directors and the shareholders of KOPG for the sale and disposal of KOPG's 60% shareholding interest in the entire issued and paid-up share capital of the Target Company to the Company, and the transactions contemplated under the Acquisition Agreements;*

(e) ***Waiver by SIC.*** *The grant by the SIC of a waiver to KOPG and parties acting in concert with KOPG, of their obligation to make a mandatory offer under Rule 14 of the Code for the shares in the Company not held by KOPG and its concert parties, and from having to comply with the requirements of Rule 14 of the Code upon*

Completion and the allotment and issue of the Consideration Shares to KOPG and if such waiver is subject to any condition or restriction imposed by the SIC, such condition and/or restriction being reasonably acceptable to KOPG and the Company;

(f) ***SGX-ST approval for the Proposed Acquisition.*** *The approval of the SGX-ST for the Proposed Acquisition, the Proposed Share Consolidation and the transactions contemplated under the Acquisition Agreements having been obtained where necessary, and if such approval is subject to any condition or restriction imposed by the SGX-ST, such condition and/or restriction being reasonably acceptable to KOPG and the Company;*

(g) ***SGX-ST approval for listing and quotation.*** *The approval of the SGX-ST and the receipt of a listing and quotation notice from the SGX-ST for the admission of the Consideration Shares and such number of new ordinary shares in the share capital of the Company to be allotted and issued (if any) pursuant to the Proposed Placement to the Official List, and the dealing and quotation of such shares on Catalist upon the allotment and issue of such shares, and if such approval is subject to any condition or restriction imposed by the SGX-ST, such condition and/or restriction being reasonably acceptable to KOPG and the Company;*

(h) ***No material adverse change.*** *There being no changes to the business, financial conditions or operations of any Scorpio Group Company or Target Group Company since the date of the Acquisition Agreements that would in the reasonable opinion of KOPG or the Company (as the case may be) be likely to have a material adverse effect;*

(i) ***Governmental approvals for the Company.*** *The licences, authorisations, orders, grants, confirmations, permissions, registrations, waivers, exemptions and other approvals necessary or desirable for or in respect of the Proposed Acquisition, the allotment and issue of the Consideration Shares to the Vendors and the transactions contemplated under the Acquisition Agreements, having been obtained from the appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms reasonably satisfactory to the Company, and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to KOPG and the Company;*

(j) ***Governmental approvals for Vendors.*** *The licences, authorisations, orders, grants, confirmations, permissions, registrations, waivers, exemptions and other approvals necessary or desirable for or in respect of the sale of the Sale Shares by the Vendors to the Company and the transactions contemplated under the Acquisition Agreements, having been obtained from the appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms reasonably satisfactory to KOPG and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals continuing to remain in full force and effect up to and including the Completion Date, and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to KOPG and the Company;*

(k) ***Change in control approval (Scorpio Group).*** *With respect to the agreements specified in paragraph 1 of Schedule 8 of the KOPG Acquisition Agreement, to which any Scorpio Group Company is bound and contain restrictions or prohibitions on the change in control of the shareholdings or the board of directors of any Scorpio Group Company or include any right to terminate exercisable prior to or as a result of any matter contemplated by the Acquisition Agreements (including but not limited to the allotment and issue of the Consideration Shares to the Vendors), receipt by KOPG of a written confirmation in a form and on terms (if any) reasonably satisfactory to KOPG by the counterparts thereto, of the waiver of such restrictions or prohibition in relation to any such change arising from the Proposed Acquisition or the transactions under the Acquisition Agreements or of any such right to terminate;*

(l) ***Change in control approval (Target Group).*** *With respect to the agreements specified in paragraph 2 of Schedule 8 of the KOPG Acquisition Agreement to which a Target Group Company is bound and contain restrictions or prohibitions on the change in control of the shareholders or the board of directors of any Target Group Company or include any right to terminate exercisable prior to or as a result of any matter contemplated by the Acquisition Agreements (including but not limited to the sale and transfer of the Sale Shares from the Vendors to the Company), receipt by the Company of a written confirmation in a form and on terms (if any) reasonably satisfactory to the Company by the counterparts thereto, of the waiver of such restrictions or prohibition in relation to any such change arising from the Proposed Acquisition or the transactions under the Acquisition Agreements or of any such right to terminate;*

(m) ***All other consents and approvals.*** *The Company and the Vendors having obtained all necessary bank consents and other necessary consents, approvals and waivers from all relevant third parties and/or authorities for the sale and transfer of the Sale Shares from the Vendors to the Company, the allotment and issue of the Consideration Shares to the Vendors and the transactions contemplated under the Acquisition Agreements, and such consents, approvals and waivers not having been amended or revoked and remaining in full force and effect up to and including the Completion Date, and if such approval is subject to any condition or restriction, such condition and/or restriction being reasonably acceptable to KOPG or the Company (as the case may be);*

(n) ***No breach.*** *The Proposed Acquisition, the allotment and issue of the Consideration Shares by the Company to the Vendors and the transactions contemplated under the Acquisition Agreements not being prohibited by and will not result in a breach of, any statute, order, rule, regulation, directive, guideline or request promulgated by, or any judgment or decree of, any legislative, executive, judicial or regulatory body or authority in Singapore, Indonesia, the United Kingdom or any other jurisdiction affecting any Scorpio Group Company, Target Group Company or the Vendors; and*

(o) ***No trading suspension.*** *Trading of the issued shares of the Company not being suspended by the SGX-ST and such shares not having been delisted from Catalist.*

*If any of the conditions precedent in the Acquisition Agreements ("**Conditions Precedent**") is not satisfied (or is not waived by the Company and/or KOPG, as the case may be) on or before the*

Long-stop Date, the Acquisition Agreements shall terminate, save for certain clauses which relate to, inter alia, confidentiality and costs.

The Company and the Vendors had agreed to extend the Long-stop Date in the Acquisition Agreements to 30 June 2014.

As at the Latest Practicable Date, the Conditions Precedent are pending fulfilment. An announcement will be made by the Company to notify Shareholders of the fulfilment of the Conditions Precedent in due course."

3.3 UNDERTAKINGS TO VOTE IN FAVOUR OF THE PROPOSED ACQUISITION

We note from the Circular that the Company has procured written undertakings dated 30 August 2013 and 6 September 2013 ("**Shareholder Undertakings**") from Cheng Kok Shin, Goh Bak Heng, Ko Chuan Aun, Lee Boon Leng, Lovell Peak Assets Ltd, Tan Kang Seng, Yiek Lay Yong and Yong Hsi Len (the "**Undertaking Shareholders**"). The Undertaking Shareholders are directly or indirectly interested in an aggregate 48,485,000 Shares (representing approximately 26.33% of the issued share capital of the Company as at the Latest Practicable Date). As at the Latest Practicable Date, each Undertaking Shareholder's interest in the Company is as follows:

	As at the Latest Practicable Date	
	Direct Interest	
Name of Undertaking Shareholder	**Number of Shares held by Undertaking Shareholder**	**Number of Shares held by Undertaking Shareholder as a percentage of the total issued Shares**
Lovell Peak Assets Ltd	18,500,000	10.05
Tan Kang Seng	18,500,000	10.05
Cheng Kok Shin	3,000,000	1.63
Ko Chuan Aun	3,000,000	1.63
Lee Boon Leng	3,000,000	1.63
Goh Bak Heng	1,835,000	1.00
Yong Hsi Len	550,000	0.30
Yiek Lay Yong	100,000	0.05
Total	48,485,000	**26.33**

Pursuant to the terms of his/its Shareholder Undertaking, each Undertaking Shareholder shall, *inter alia*, vote and/or procure the exercise of the voting rights of, all of the Shares or securities in the capital of the Company which such Undertaking Shareholder may hold or control on or after the date of that Shareholder Undertaking to approve the Proposed Acquisition, and any other matter necessary or proposed to implement the Proposed Acquisition at the EGM held to approve the Proposed Acquisition (or any adjournment thereof) as contemplated in the Acquisition Agreements.

4. INFORMATION ON THE VENDORS AND THE TARGET GROUP

Information on the Vendors and the Target Group is set out in Section 2.5, 2.6 of the Circular and the Letter to Shareholders from the Directors of KOP Properties Pte. Ltd. in the Circular. We recommend that Independent Shareholders read those pages of the Circular carefully.

We note from the Section B11 of the Letter to Shareholders from the Directors of KOP Properties Pte. Ltd. in the Circular, that prior to entering into negotiations with the Company in respect of the Proposed Acquisition, the Target Company was contemplating listing of its shares on the SGX-ST via an initial public offering. Advisors and consultants, namely auditors, lawyers, financial advisors, public relation agents and sponsor banks, were appointed to advise the Target Company and undertake such work as was necessary in respect of this exercise. The initial public offering exercise was subsequently aborted when the Target Company commenced negotiations with the Company in respect of the Proposed Acquisition.

The Target Company incurred an aggregate amount of S$1,227,481.26 for expenses relating to the initial public offering exercise. On 16 December 2013, KOPG agreed to reimburse the Target Company for these expenses. As at the Latest Practicable Date, the Target Company has been fully reimbursed pursuant to this agreement.

As the above arrangement was premised on a cost recovery basis, the Target Company's Directors are of the view that the arrangement was not entered into on normal commercial terms and was not conducted on an arm's length's basis.

5. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

For the purposes of evaluating the Proposed Whitewash Resolution, we have taken into account the following pertinent factors as well as others as set out in this Letter, which we consider as having a significant bearing on our assessment:

(i) Rationale for the Proposed Acquisition;

(ii) Financial performance and position of the Group and the Target Group;

(iii) Net Assets Value ("**NAV**") and Net Tangible Assets ("**NTA**") of the Group and the Target Group;

(iv) Market quotation and trading activity for the Shares;

(v) Comparison with precedent reverse takeover transactions;

(vi) Market value of the Target Group;

(vii) Relative valuation analysis for the Target Group;

(viii) Proforma financial effects; and

(ix) Other considerations which have significant bearings on our assessment.

These factors are discussed in greater detail in the ensuing sections.

Methodology

In our assessment of the Consideration, the Issue Price and the Proposed Whitewash Resolution, we have applied certain valuation ratios in assessing the reasonableness of the Acquisition Consideration and the Proposed Whitewash Resolution. A brief description of these valuation ratios are as follows:

(i) **EV/EBITDA**

"**EV**" or "**Enterprise Value**" is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. **"EBITDA"** stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items.

The **"EV/EBITDA"** multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.

(ii) **Price-to-Earnings ("PER")**

The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company's shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.

(iii) **Price-to-NTA ("P/NTA")**

The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value. The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

(iv) **Price-to-NAV ("P/NAV")**

The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

In assessing the financial terms of the Proposed Whitewash Resolution, we have taken into account the following pertinent factors, which we consider will have a significant bearing on our assessment.

5.1 Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition has been extracted from Section 2.1 of the Circular and is set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

*"**2.1 Rationale for the Proposed Acquisition***

The Board expects the Scorpio Group's existing core businesses to remain challenging as increasing competition and the softening of customers' demand for the Scorpio Group's video distribution business continue to erode the Scorpio Group's revenue and profit margins.

The Board believes the Proposed Acquisition would provide the Company with a new business, which subject to and upon Completion, would enable the Company to enhance the value of Shareholders' equity interests in the Company, while allowing Shareholders to have the benefit of holding shares in the Company's expanded business.

The Board also believes that the Proposed Acquisition represents an opportunity for the Company to venture into the property development market in Singapore, Indonesia, the UK and the PRC, since the Target Group is engaged in the development, management and marketing of residential and commercial properties, as well as the management of hotels and resorts in Singapore, Indonesia and the UK and has projects and/or operations in the PRC.

The Proposed Acquisition is expected to increase the market capitalisation of the Company significantly and raise the profile of the Company and generate investors' interest in the Company.

The Board is hence of the view that the Proposed Acquisition is in the best interest of the Company."

5.2 Financial performance of the Group and the Target Group

5.2.1 Financial performance and position of the Group

The following are extracts from the audited consolidated financial statements of the Group for FY2013, FY2012 and FY2011, and the unaudited financial statements of the Group for HY2014 and HY2013.

Consolidated Statement of Income

Figures in S$'000	Unaudited HY2014	Unaudited HY2013	Audited FY2013	Audited FY2012	Audited FY2011
Revenue	3,304	3,499	6,152	6,777	26,101
Cost of services	(3,004)	(2,650)	(4,712)	(6,200)	(21,375)
Gross Profit/(Loss)	300	849	1,440	577	4,726
(Loss) before tax	(2,430)	(273)	(1,227)	(4,707)	(2,664)
(Loss) after tax	(2,430)	(273)	(1,227)	(4,775)	(2,721)
(Loss) after tax attributable to owners of the Company	(2,340)	(257)	(1,203)	(4,117)	(3,249)

Notes:
(1) *Figures and computation presented in this section are subject to rounding.*

<u>HY2014 vs HY2013</u>

The Group reported a decline in revenue of approximately S$0.2 million or 5.6%, from approximately S$3.5 million in HY2013 to approximately S$3.3 million in HY2014. The revenue in HY2014 was mainly derived from (i) video distribution sales of approximately S$0.47 million (HY2013: S$2.6 million); (ii) rental income of approximately S$0.48 million (HY2013: S$0.3 million); (iii) events and concerts revenue of approximately S$0.16 million (HY2013: S$0.5 million); and (iv) theatrical distribution sales of approximately S$2.18 million (HY2013: nil). Cost of services increased by approximately S$0.4 million or 13.4% from approximately S$2.7 million in HY2013 to approximately S$3.0 million in HY2014, mainly due to higher cost incurred in relation to theatrical distribution sales as compared to video distribution sales (which contributed a significant portion of revenue in HY2013).

As a result of the lower revenue and higher cost of services, gross profit decreased by approximately S$0.6 million or 64.7% from approximately S$0.8 million in HY2013 to approximately S$0.3 million in HY2014. Likewise, gross profit margin declined substantially from approximately 24.3% in HY2013 to approximately 9.1% in HY2014. The decline in gross profit margin in HY2014 was attributable to the significant decline in gross profit from the video distribution business as a consequence of the non-reniewal of two major home video distribution licenses with Universal Pictures International Entertainment and Buena Vista Home Entertainment, Inc.

The Group booked other operating income of approximately S$48 thousand in HY2014 as compared to approximately S$0.5 million in HY2013. The substantially higher other operating income in HY2013 was mainly due to a fair value gain on investment property of S$426 thousand in HY2013 as a result of revaluation of investment property. No such revaluation was conducted in HY2014.

Total operating expenses for the Group (excluding the finance costs) amounted to approximately S$2.6 million in HY2014 as compared to approximately S$1.5 million in HY2013. The Group's higher total operating expenses in HY2014 was attributed mainly to increases in administrative expenses (rose by by approximately S$1.1 million or 78.5% to approximately S$2.4 million in HY2014 mainly due to increase in professional fees and increase in depreciation following the Group’s acquisition of new concert and event equipment in April 2013) and other operating expenses (rose from approximately S$22 thousand in HY2013 to approximately $139 thousand in HY2014, mainly due to provisions made for doubtful debts) and was partially offset by a decline in distribution cost (decreased by approximately S$58 thousand or 70.7% to approximately $0.02 million in HY2014, mainly due to fewer advertising activities in television media and newspaper). Finance costs increased by approximately S$45 thousand or 30.2% from approximately S$149 thousand in FY2013 to approximately S$0.2 million in HY2014, mainly due to higher bank loans and finance leases during the financial period under review.

Given the lower revenue coupled with lower gross profit margin and higher operating costs, the Group reported loss after tax attributable to owners of the Company of approximately S$2.3 million in HY2014 as compared to loss after tax attributable to owners of the Company of approximately S$0.3 million in HY2013.

<u>FY2013 vs FY2012</u>

The Group reported a decline in revenue of approximately S$0.6 million or 9.2%, from approximately S$6.8 million in FY2012 to approximately S$6.2 million in FY2013, mainly due to a decrease in distribution sales in its major video distribution labels and independent home video rights owned by the Group and also the non-renewal of the Company's license for the rental distribution of videogram of TVB programmes in Singapore with TVBI ("**TVBI**") Company Limited. The revenue in FY2013 was mainly derived from (i) video and content distribution sales of approximately S$4.9 million (FY2012: S$5.9 million); (ii) rental income of approximately S$0.6 million (FY2012: S$0.4 million); and (iii) events and concerts revenue of approximately S$0.6 million (FY2012: S$0.4 million). Cost of service decreased by approximately S$1.5 million or 24.0% to approximately S$4.7 million in FY2014, mainly due a decrease in distribution sales and absence of cost of services incurred in FY2012 for TBVI distribution sales (for which no such cost of services was recorded in FY2013).

As a result of the greater decline in cost of services over the Group's revenue, gross profit increased by approximately S$0.9 million or 149.6% from approximately S$0.6 million in FY2012 to approximately S$1.4 million in FY2013. Likewise, gross profit margin improved from approximately 8.5% in FY2012 to approximately 23.4% in FY2013.

The Group experienced a decline in other operating income of approximately $1.1 million or 54.6% from approximately S$2.0 million in FY2012 to approximately $0.9 million in FY2013. The higher other operating income in FY2012 was mainly due to, *inter alia*, the greater fair value gain on investment property of approximately S$1.8 million. In FY2013, the fair value gain on investment property amounted to approximately S$0.7 million.

Total operating expenses for the Group (excluding the finance costs) amounted to approximately S$3.2 million in FY2013 as compared to approximately S$6.9 million in FY2012. The Group's lower total operating expenses in FY2013 was attributed to declines in distribution costs (decreased by approximately 24.6% to approximately S$132 thousand in FY2013 mainly due to lower advertising expenses incurred), administrative expenses (decreased by approximately 9.7% to approximately S$2.8 million in FY2013 mainly due to a significant reduction in professional fees incurred), and other operating expenses (decreased by approximately 91.1% to approximately S$0.3 million in FY2013). The substantially higher other operating expenses of approximately S$3.6 million in FY2012 was mainly due to the provisions made on the outstanding amounts due from certain producers in relation to terminated movies and contracts with these producers amounted to S$3.3 million. No such provisions were made in FY2013.

Finance costs decreased by approximately S$30 thousand or 8.5% from approximately S$354 thousand in FY2012 to approximately S$324 thousand in FY2013, mainly due to decrease in interest expenses related to bank loans and overdraft of approximately S$26 thousand and decrease in interest expense for finance leases of approximately S$4 thousand.

Due to the higher gross profit and lower operating expenses, the Group reported a smaller loss after tax attributable to owners of the Company of approximately S$1.2 million in FY2013 as compared to loss after tax attributable to owners of the Company of approximately S$4.1 million in FY2012.

FY2012 vs FY2011

The Group reported a decline in revenue of approximately S$19.3 million or 74.0%, from approximately S$26.1 million in FY2011 to approximately S$6.8 million in FY2012. The substantial decline in revenue in FY2012 was mainly due to (i) a decrease in distribution sales due to non-renewal of the Company's license for the rental distribution of videogram of TVB programmes in Singapore with TVBI upon its expiry on 31 July 2011; (ii) a decrease in acquisition of content productions, and (iii) a decrease in revenue from live entertainment productions and concerts. The revenue in FY2012 was mainly derived from (i) video and content distribution sales of approximately S$5.9 million (FY2011: S$16.7 million); (ii) rental income of approximately S$0.4 million (FY2011: S$0.5 million); and (iii) events and concerts revenue of approximately S$0.4 million (FY2011: S$8.9 million). In line with the decline in revenue, the Group's cost of service decreased by approximately S$15.2 million or 71.0% from approximately S$21.4 million in FY2011 to approximately S$6.2 million in FY2012. As a result of the greater decline in revenue over the cost of services, gross profit decreased by approximately S$4.1 million or 87.8% from approximately S$4.7 million in FY2011 to approximately S$0.6 million in FY2012. Likewise, the gross profit margin declined from approximately 18.1% in FY2011 to approximately 8.5% in FY2012.

The Group experienced an increase in other operating income of approximately $0.7 million or 57.8% from approximately S$1.2 million in FY2011 to approximately $2.0 million in FY2012. The Group's other operating income in FY2012 mainly comprised fair value on investment property of approximately S$1.8 million, gain on disposal of property, plant and equipment of approximately S$84.5 thousand, government grants received of approximately S$24.5 thousand, foreign exchange gain of approximately S$33.2 thousand and others of approximately S$21.4 thousand.
Total operating expenses for the Group (excluding the finance costs) amounted to approximately S$6.9 million in FY2012 as compared to approximately S$8.2 million in FY2011. The Group's lower total operating expenses in FY2012 was attributed to declines in distribution costs (decreased by approximately 43.0% to approximately S$175 thousand in FY2012 due to lower advertising expenses), administrative expenses (decreased by approximately S$1.3 million or 30.2% to approximately S$3.1 million in FY2012 attributed to a reduction in salaries arising from lower headcount following the resignation of several senior executives during FY2012), and was partially offset by an increase in other operating expenses (rose by approximately 4.3% to approximately S$3.6 million in FY2012). Other operating expenses in FY2012 mainly comprised of provisions amounting to S$3.31 million made on the outstanding amounts due from certain producers in relation to terminated movies and concert contracts with these producers.

Finance costs decreased by approximately S$80 thousand or 18.4% from approximately S$434 thousand in FY2011 to approximately S$354 thousand in FY2012, mainly due to decrease in interest expenses for both bank loans and overdraft (declined by approximately S$74 thousand) and finance leases (declined by approximately S$6 thousand).

The Group reported loss after tax attributable to owners of the Company of approximately S$4.1 million in FY2012 as compared to loss after tax attributable to owners of the Company of approximately S$3.3 million in FY2011.

The following tabulates the gross profit, profit before tax and after tax margins for the Group :

Profitability Margins	Unaudited HY2014	Unaudited HY2013	Audited FY2013	Audited FY2012	Audited FY2011
Gross profit margin	9.1%	24.3%	23.4%	8.5%	18.1%
Profit/(Loss) before tax margin	(73.5)%	(7.8)%	(19.9)%	(69.5)%	(10.2)%
Profit/(Loss) after tax margin	(73.5)%	(8.3)%	(37.1)%	(144.5)%	(82.4)%
Profit/(Loss) after tax margin attributable to Shareholders	(70.8)%	(7.3)%	(19.6)%	(60.7)%	(12.4)%

For the period under review, the Group has been in the loss making position, hence the profit before and after tax margins were negative. It is noted that the profit after tax margin attributable to Shareholders in HY2014 was negative 70.8% and this is less favourable than the margins in FY2011-FY2013. We wish to highlight that the Group's gross profit margin of 9.1% in HY2014 is slightly higher than the gross profit margin in FY2012 but substantially lower than the gross profit margins in FY2011 and FY2013.

Consolidated Statement of Financial Position

The table below is the extract of the Group's unaudited balance sheet for HY2014 and audited balance sheet for FY2013, FY2012 and FY2011.

Figures in S$'000	Unaudited HY2014	Audited FY2013	Audited FY2012	Audited FY2011
Non-current assets	22,541	22,690	19,951	18,844
Current assets	6,570	9,001	6,046	16,584
Non-current liabilities	12,708	12,248	9,213	10,856
Current liabilities	5,857	8,675	6,337	9,351
Total borrowings	14,671	14,073	11,422	13,897
Shareholders' equity	10,783	10,914	10,495	14,611
Net working capital	713	326	(290)	7,233

Notes:
(1) *Figures and computation presented in this section are subject to rounding.*

<u>HY2014 vs FY2013</u>

<u>Assets</u>

The Group's total assets decreased by approximately S$2.6 million or 8.1% from approximately S$31.7 million as at 30 April 2013 to approximately S$29.1 million as at 31 October 2013. Non-current assets declined by approximately S$0.2 million or 0.7% from approximately S$22.7 million as at 30 April 2013 to approximately S$22.5 million as at 31 October 2013, and current assets declined by approximately S$2.4 million from approximately S$9.0 million as at 30 April 2013 to approximately S$6.6 million as at 31 October 2013.

The decline in non-current assets was due to a decrease in property, plant and equipment of approximately S$0.6 million from approximately S$11.5 million as at 30 April 2013 to approximately S$10.9 million as at 31 October 2013 (as a result of depreciation of property and equipment), a decline in other receivables and prepayments of approximately S$0.1 million from approximately S$0.1 million as at 30 April 2013 to nil as at 31 October 2013 , which was partially offset by an increase in intangible assets of approximately S$0.6 million from approximately S$0.2 million as at 30 April 2013 to approximately S$0.8 million as at 31 October 2013 (attributable to increase in license costs acquired and increase in investment in local content productions).

The decline in current assets was due to a decrease in cash and cash equivalents of approximately S$2.6 million from approximately S$4.8 million as at 30 April 2013 to approximately S$2.2 million as at 31 October 2013, a decline in trade receivables of approximately S$1.6 million from approximately S$2.2 million as at 30 April 2013 to approximately S$0.6 million as at 31 October 2013 (due to better collection and reduced revenue from the video distribution business), a decline in inventories of approximately S$0.1 million from approximately S$0.2 million as at 30 April 2013 to approximately S$82 thousand as at 31 October 2013 (mainly due to a one-off disposal of Disney inventories as a result of the non-renewal of home video distribution license with BVHE in end June 2013), which was partially offset by increases in other receivables and payments of approximately S$1.6 million from approximately S$1.2 million as at 30 April 2013 to approximately S$2.9 million as at 31 October 2013 (due to recognition of revenue recorded in HY2014 from the theatrical distribution business) and prepaid film rights of approximately S$0.3 million from approximately S$0.5 million as at 30 April 2013 to approximately S$0.8 million as at 31 October 2013 (mainly due to payment of minimum guarantees related to various film distribution rights acquired by the Group in HY2014).

<u>Liabilities</u>

The Group's total liabilities decreased by approximately S$2.4 million or 11.2% from approximately S$20.9 million as at 30 April 2013 to approximately S$18.6 million as at 31 October 2013 mainly due to the decline in total current liabilities of approximately S$2.8 million from approximately S$8.7 million as at 30 April 2013 to approximately S$5.9 million as at 31 October 2013, offset partially by the increase in total non-current liabilities of approximately S$0.5 million from approximately S$12.2 million as at 30 April 2013 to approximately S$12.7 million as at 31 October 2013.

The decline in total current liabilities was mainly due to a decrease in current portion of secured bank loans of approximately S$0.5 million from approximately S$1.8 million as at 30 April 2013 to approximately S$1.3 million as at 31 October 2013 (mainly due to repayment of existing bank loans in HY2014), a decrease in trade payables of approximately S$75 thousand from approximately S$0.5 million as at 30 April 2013 to approximately S$0.4 million as at 31 October 2013, a decrease in other payables of approximately S$2.9 million from approximately S$6.3 million as at 30 April 2013 to approximately S$3.5 million as at 31 October 2013 (mainly due to repayment of shareholder's loan in HY2014 amounting to approximately S$1.0 million, reclassification of other payables to finance leases payable amounting to approximately S$2.0 million and repayment of approximately S$0.5 million owed to a supplier for the purchase of concert and event equipment, which was partially offset by a net increase in professional fees amounting to approximately S$0.6 million), and was offset partially by an increase in finance leases (current-portion) of approximately S$0.7 million as at 31 October 2013 (in respect of a finance lease arrangement entered into HY2014 for payment of concert and event equipment which were acquired in April 2013).

The increase in total non-current liabilities was mainly due to an increase in finance leases (non current portion) of approximately S$1.0 million as at 31 October 2013 from nil as at 30 April 2013 to approximately S$1.0 million as at 31 October 2013 and was partially offset by a decrease in secured bank loans of approximately S$0.6 million from approximately S$12.2 million as at 30 April 2013 to approximately S$11.7 million as at 31 October 2013 (mainly due to repayment of existing bank loans).

We wish to highlight that the Group had a positive net working capital of approximately S$0.7 million as at 31 October 2013 as compared to a positive net working capital of approximately S$0.3 million as at 30 April 2013. In addition, the Group's current ratio improved from approximately 1.0 times as at 30 April 2013 to approximately 1.1 times as at 31 October 2013.

The Group's total borrowing amounted to approximately S$14.7 million as at 31 October 2013 as compared to approximately S$14.1 million as at 30 April 2013.The Group's gearing (in terms of total borrowing to shareholders' equity) increased from approximately 1.3 times in FY2013 to approximately 1.4 times in HY2014 due to the higher total borrowings (arising from the finance lease arrangement entered in HY2014 for the payment of concert and event equipment), coupled with the lower shareholders' equity (arising from the increase in accumulated losses and notwithstanding increase in the share capital due to the placement in May 2013).

FY2013 vs FY2012

Assets

The Group's total assets increased by approximately S$5.7 million or 21.9% from approximately S$26.0 million as at 30 April 2012 to approximately $ 31.7 million as at 30 April 2013. Non-current assets increased by approximately S$2.7 million or 13.7% from approximately S$20.0 million as at 30 April 2012 to approximately S$22.7 million as at 30 April 2013, and current assets increased by approximately S$3.0 million from approximately S$6.0 million as at 30 April 2012 to approximately S$9.0 million as at 30 April 2013.

The increase in non-current assets was mainly due to higher property, plant and equipment (rose from approximately S$9.3 million as at 30 April 2012 to approximately S$11.5 million as at 30 April 2013 due to the acquisition of concert and event equipment in FY2013) and higher investment property (rose from approximately S$10.1 million as at 30 April 2012 to approximately S$10.8 million as at 30 April 2013 arising from the gain from fair value adjustment), and was partially offset by decline in other receivables, deposits and prepayments (decreased from approximately S$0.5 million as at 30 April 2012 to approximately S$0.1 million as at 30 April 2013).

The increase in current assets was mainly due to *inter alia*, an increase in cash and cash equivalents of approximately S$2.8 million from approximately S$2.0 million as at 30 April 2012 to approximately S$4.8 million as at 30 April 2013, an increase in prepaid film rights of approximately S$0.4 million from approximately S$0.1 million as at 30 April 2012 to approximately S$0.5 million as at 30 April 2013 (mainly due to a payment of minimum guarantees related to a co-distribution agreement entered into Scorpio East Pictures Pte. Ltd., a direct wholly-owned subsidiary of the Company, with Cathay-Keris Films Pte Ltd in October 2012 and additional purchases of new prepaid film rights arising from the Group's increased focus on theatrical distribution in FY2013) and increase in other receivables and payments of approximately S$0.4 million from approximately S$0.9 million as at 30 April 2012 to approximately S$1.2 million as at 30 April 2013 (mainly due to an increase in video rights acquired in FY2013 and increase in GST receivable due to the acquisition of concert and event equipment in April 2013), which was partially offset by lower inventories (declined by approximately S$0.6 million to approximately S$0.2 million as at 30 April 2013 due to the one-off disposal of Universal inventories and provision for inventory obsolescence due to reduction in the net realisable value of Disney inventories held by the Group following the expiry and non-renewal of Universal home video distribution license in September 2012 and Disney home video distribution license in June 2013) and lower trade receivables (declined by approximately S$74 thousand to approximately S$2.2 million as at 30 April 2013).

Liabilities

The Group's total liabilities increased by approximately S$5.4 million or 34.6% from approximately S$15.6 million as at 30 April 2012 to approximately S$20.9 million as at 30 April 2013 due to the increase in total current liabilities of approximately S$2.3 million from approximately S$6.3 million as at 30 April 2012 to approximately S$8.7 million as at 30 April 2013, and increase in total non-current liabilities of approximately S$3.0 million from approximately S$9.2 million as at 30 April 2012 to approximately S$12.2 million as at 30 April 2013.

The increase in total current liabilities was mainly due to the higher other payables (increased by approximately S$2.9 million from approximately S$3.5 million as at 30 Aril 2012 to approximately S$6.3 million as at 30 April 2013 arising mainly from (i) newly acquired concert and event equipment of approximately S$2.4 million pending disbursement to the supplier under a hire purchase agreement, (ii) an increase in accrued distribution costs of theatrical releases in FY2013 and (iii) increase in rental deposits received in FY2013) and was offset partially by the declines in current portion of secured bank loans (declined by approximately S$0.4 million to approximately S$1.8 million as at 30 April 2013) and trade payables (declined by approximately S$0.2 million from approximately S$0.6 million as at 30 April 2012 to approximately S$0.4 million as at 31 April 2013 which is in line with the decrease in cost of services in FY2013).

The increase in total non-current liabilities was mainly due to an increase in secured bank loans (non-current portion) obtained of approximately S$3.0 million from approximately S$9.2 million as at 30 April 2012 to approximately S$12.2 million as at 30 April 2013.

We wish to highlight that the Group had a positive net working capital of approximately S$0.3 million as at 30 April 2013 as compared to a negative net working capital of approximately S$0.3 million as at 30 April 2012. The Group's total borrowing amounted to approximately S$14.1 million as at 30 April 2013 as compared to approximately S$11.4 million as at 30 April 2012.The Group's gearing (in terms of total borrowing to shareholders' equity) increased from approximately 1.1 times in FY2012 to approximately 1.3 times in FY2013 mainly due to the increase in total borrowings arising from the new bank loans obtained.

<u>FY2012 vs FY2011</u>

<u>Assets</u>

The Group's total assets decreased by approximately S$9.4 million or 26.6% from approximately S$35.4 million as at 30 April 2011 to approximately S$26.0 million as at 30 April 2012. Non-current assets increased by approximately S$1.1 million or 5.9% from approximately S$18.8 million as at 30 April 2011 to approximately S$20.0 million as at 30 April 2012, and current assets decreased by approximately S$10.5 million from approximately S$16.6 million as at 30 April 2011 to approximately S$6.0 million as at 30 April 2012.

The increase in non-current assets was mainly due to *inter alia*, an increase in investment property of approximately S$1.8 million from approximately S$8.3 million as at 30 April 2011 to approximately S$10.1 million as at 30 April 2012 arising from the gain from fair value adjustment, and an increase in other receivables, deposits and prepayments of approximately S$0.5 million (from nil as at 30 April 2011 to approximately S$0.5 million as at 30 April 2012). This was partially offset by decreases in property, plant and equipment (declined by approximately S$0.8 million to approximately S$9.3 million as at 30 April 2012), intangible assets (declined by approximately S$0.2 million to approximately S$79 thousand as at 30 April 2012) and club membership (declined by approximately S$0.1 million to nil as at 30 April 2012).

The decrease in total current assets was mainly due to:

(i) a decrease in other receivables, deposits and prepayments from approximately S$7.2 million as at 30 April 2011 to approximately S$0.9 million as at 30 April 2012. The decrease was due to, *inter alia*, lower amount for deposits in connection with contracts for 2 movies and 12 concerts with a total contract value of approximately S$6.2 million entered into FY2011 (the "**Alpha Contracts**") (as set out in page 57 of the Group's annual report for FY2012, the Management considered that the S$2.86 million cash purportedly received from the producer of the Alpha Contracts should be netted-off against the purported deposits paid of approximately S$3.2 million to the producer of the Alpha Contracts, resulting in a net recoverable balance of S$340 thousand), and allowance for impairment of total approximately S$3.3 million for the said deposit for the Alpha Contracts and amount due from the producers of movies and concerts arising from their purported termination in FY2011 (the "**Scorpio Contracts**");

(ii) a decrease in trade receivables of approximately S$2.7 million from approximately S$5.0 million as at 30 April 2011 to approximately S$2.3 million as at 30 April 2012;

(iii) a decrease in cash and cash equivalents of approximately S$1.5 million from approximately S$3.5 million as at 30 April 2011 to approximately S$2.0 million as at 30 April 2012; and

(iv) a slight decrease in inventories (declined by 6.8% to approximately S$0.8 million as at 30 April 2012).

<u>Liabilities</u>

The Group's total liabilities decreased by approximately S$4.7 million or 23.0% from approximately S$20.2 million as at 30 April 2011 to approximately S$15.6 million as at 30 April 2012 due to a decrease in total current liabilities of approximately S$3.0 million from approximately S$9.4 million as at 30 April 2011 to approximately S$6.3million as at 30 April 2012, and decrease in total non-current liabilities of approximately S$1.6 million from approximately S$10.9 million as at 30 April 2011 to approximately S$9.2 million as at 30 April 2012.

The decrease in total current liabilities was mainly due to *inter alia*, a decrease in other payables of approximately S$1.5 million from approximately S$5.0 million as at 30 Aril 2011 to approximately S$3.5 million as at 30 April 2012 (arising mainly from the netting-off of the receipts for the Scorpio Contracts of approximately S$2.86 million against the purported deposits paid of approximately S$3.2 million to the producer of the Alpha Contracts and this was partially offset by increases in accruals, Shareholders' loans, deferred revenue and others), a decrease in current portion of secured bank loans of approximately S$0.8 million from approximately S$3.0 million as at 30 Aril 2011 to approximately S$2.2 million as at 30 April 2012 and decrease in trade payables of approximately S$0.7 million from approximately S$1.3 million as at 30 Aril 2011 to approximately S$0.6 million as at 30 April 2012.

The decrease in total non-current liabilities was mainly due to a decrease in secured bank loans and finance leases of approximately S$1.6 million from approximately S$10.9 million as at 30 April 2011 to approximately S$9.2 million as at 30 April 2012.

We wish to highlight that the Group had a negative net working capital of approximately S$0.3 million as at 30 April 2012 as compared to a positive net working capital of approximately S$7.2 million as at 30 April 2011. The Group's total borrowing amounted to approximately S$11.4 million as at 30 April 2012 as compared to approximately S$13.9 million as at 30 April 2011.Nothwitstanding the lower borrowings in FY2012, the Group's gearing (in terms of total borrowing to shareholders' equity) increased slightly from approximately 1.0 times in FY2011 to approximately 1.1 times in FY2012 mainly due to the lower equity attributable to owners of the Company (resulted from the loss incurred in FY2012).

<u>**Qualified opinion and Emphasis of Matter**</u>

We note that the AR2013 and the Independent Auditors' report dated 2 August 2013 ("**Independent Auditors' Report**") on the Group's and Company's financial statements for FY2013 contained a qualified opinion and an emphasis of matter relating to, *inter alia,* the notice from the CAD requiring the Company's assistance with its investigation.

The following paragraphs as set out in italics below are extracted from the Independent Auditors' Report (page 27 of the AR2013) and note 33 and 34 to the audited financial statements of the Group for FY2013. We recommend that Independent Directors advise Shareholders to read these sections of the AR2013 carefully:-

"Basis for Qualified opinion

As explained in Note 34 to the financial statements, we had issued a qualified opinion on the financial statements for the financial year ended April 30, 2012 and a disclaimer of opinion on the financial statements for the financial year ended April 30, 2011.

Our audit opinion on the financial statements for the financial year ended April 30, 2013 is qualified because of the possible effects of the matters described in Note 34 on the comparability of the current year's consolidated statement of comprehensive income and consolidated statement of cash flows and the prior year comparative figures.

Qualified opinion

In our opinion, except for the possible effects on the comparative figures of the matters described in the Basis for Qualified Opinion paragraph, the financial statements 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 state of affairs of the Group and of the Company as at April 30, 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Emphasis of Matter

*We draw attention to Note 33 to the financial statements which indicates that the Company received a notice from the Commercial Affairs Department ("**CAD**") requiring the Company's assistance with its investigation. The investigation by the CAD is still in progress and to the best of the Directors' knowledge and belief, the effect of the investigation, if any, on the accompanying financial statements is not expected to be material. Our opinion is not qualified in respect of this matter."*

*"**33 INVESTIGATION BY THE COMMERCIAL AFFAIRS DEPARTMENT FOLLOWING THE RECEIPT OF THE SPECIAL AUDITORS' REPORT***

*On March 25, 2011, the Company announced the appointment of a firm of independent accountants (the "**Special Auditors**") to ascertain the veracity of certain of the Group's transactions and balances with certain counterparties which had been entered into or terminated by the Group during the financial year ended April 30, 2011, and bank transactions in relation thereto, and further to review the circumstances leading to the creation and termination of such contracts.*

*Following the issue of the Special Auditors' Report (the "**Report**") on August 23, 2011, the Company had sought legal advice on the findings contained in the Report and had referred the matters specified in the Report to the Commercial Affairs Department ("**CAD**") (Note 34).*

The investigation by the CAD is still in progress and to the best of the Directors' knowledge and belief, the effect of the investigation, if any, on the accompanying financial statements is not expected to be material.

34 PRIOR YEAR FINANCIAL STATEMENTS

Our audit opinion on the financial statements for the financial year ended April 30, 2012 ("FY2012") was qualified on the following basis:

- *We issued a disclaimer of opinion on the financial statements for the financial year ended April 30, 2011 ("FY2011"). The basis of the disclaimer included the purported transactions as described in paragraphs (a) to (d) below.*

- *We were unable to determine whether the impairment allowance of $3,308,106 has been appropriately recorded in FY2012 consolidated statement of comprehensive income and reported in the consolidated statement of cash flows given the uncertainties surrounding the purported transactions described in paragraphs (a) to (d) below. Accordingly, FY2012 consolidated statement of comprehensive income and consolidated statement of cash flows may not be comparable with that of the corresponding year as any potential adjustment relating to FY2011 where we issued a disclaimer of opinion would have a consequential effect on the results of FY2012.*

- *We were unable to determine whether any adjustments might be necessary in respect of the impairment allowance of $155,668 recorded in FY2012 consolidated statement of comprehensive income and reported in the consolidated statement of cash flows arising from the trade receivable described in paragraph (e) below as any potential adjustment relating to FY2011 would have a consequential effect on the results of FY2012.*

- *The possible effects of the matters described in paragraphs (a) to (d) below on FY2012 financial statements and the prior year comparative figures.*

a) *Purported Termination of the Scorpio Contracts (FY2011)*

"During the financial year ended April 30, 2011, the Group purportedly terminated contracts for certain movies and concerts with certain producers (collectively the "Scorpio Contracts") with a total contract value of $12,864,482. Prior to the purported termination, the Group had paid deposits to the producers totalling $5,127,227 for the Scorpio Contracts. In respect of the purported termination, the Group has recorded a cancellation charge of $555,323 (Note 25) and has recorded the remaining deposits paid of $3,713,333, net of foreign exchange loss of $425,071 and refund of $433,500 respectively, under "Other receivables, deposits and prepayments" (Note 9).

We were not provided with sufficient appropriate audit evidence to corroborate the explanations provided by the Company, including the commercial reasons, for the purported termination of the Scorpio Contracts as to whether there was (i) any financial projection on the Scorpio Contracts prior to purported termination; and (ii) adequate financial evaluation on the overall financial effect of the purported termination of the Scorpio Contracts.

In view of the above, we are unable to satisfy ourselves as to the correctness of the cancellation charge and the remaining deposits recorded upon the purported termination of the Scorpio Contracts, and whether further adjustments, if any, to the prior year financial statements are required."

Update after FY2011

In FY2012, management recorded an impairment loss of $2,968,106 on the deposits paid on Scorpio Contracts [Note 9(a)].

During the current financial year, the Group has received collections under the instalment plan for the remaining receivable (net of impairment) amounting to $240,000 and recognised interest income on financial assets carried at amortised cost of $68,610. The remaining net receivable balance of $573,837 (2012: $745,227) has not been collected as at year end.

b) *Purported Formation of the Alpha Contracts (FY2011)*

"During the financial year ended April 30, 2011, the Group purportedly entered into contracts for 2 movies and 12 concerts (collectively the "Alpha Contracts") with a producer (the "Producer") for a total contract value of $6,200,000. In respect of the purported formation of the Alpha Contracts, the Group has purportedly paid deposits to the Producer totalling $3,200,000 as described in Paragraph (c) below which has been recorded under "Other receivables, deposits and prepayments" (Note 9).

We were not provided with sufficient appropriate audit evidence to corroborate the explanations provided by the Company, including the commercial reasons, for (a) the purported formation of the Alpha Contracts as to whether there was (i) adequate evaluation of the Producer, including their experience, track record and financial standing given that the Producer is a newly incorporated entity; (ii) adequate financial projection on the Alpha Contracts; and (iii) adequate financial evaluation on a proposal for the Company to replace the 12 concerts with a total value of $4.8 million under the Alpha Contracts with one concert with a value of $0.4 million subsequent to the financial year end; and (b) a proposed equity investment in an entertainment company owned by the existing shareholders of the Producer of the Alpha Contracts.

In addition, we were provided with a letter dated September 6, 2011 purportedly signed by the Producer which repudiated the Alpha Contracts on the grounds that the Group did not respond to certain requests from the Producer. We were not provided with sufficient appropriate audit evidence to evaluate the financial effect, if any, of the repudiation of the Alpha Contracts subsequent to the financial year end.
In view of the above, we are unable to satisfy ourselves as to the correctness of the deposits recorded upon the purported formation of the Alpha Contracts, and whether further adjustments, if any, to the prior year financial statements are required."

Update after FY2011

In FY2012, management considered that the $2,860,000 cash purportedly received from the Producer of the Alpha Contracts (refer to (c) below) should be netted-off against the purported deposits paid of $3,200,000 to the Producer of the Alpha Contracts, resulting in a net recoverable balance of $340,000. Management has impaired the net balance of $340,000 after considering the likelihood of recovery [Note 9(b)].
The net receivable of $340,000 has not been collected as at year end.

c) *Payments to and Purported Receipts from the Producer (FY2011)*

"During the financial year ended April 30, 2011, an aggregate sum of $3,200,000 was paid by the Group by way of telegraphic transfer to the Producer of the Alpha Contracts in connection with the purported formation of the Alpha Contracts as described in Paragraph (b) above.

In addition, an aggregate sum of $2,860,000 cash was purportedly received by the Group from the Producer in connection with the purported termination of the Scorpio Contracts. In respect of the purported receipts from the Producer, the Group has recorded the receipts of $2,860,000 under "Other payables" (Note 19) and official receipts in the amount of $2,360,000 were issued by the Group to certain producers of the Scorpio Contracts instead of being issued to the Producer who purportedly paid these amounts to the Group.

On March 17, 18 and 21, 2011, the Group made total payments of $3,200,000 to the Producer and the Group purportedly received total cash of $2,860,000 from the

Producer. On each of these days, the payments were first made and subsequently followed by the receipts of lower amounts on the same day.

In view of the above, we are unable to satisfy ourselves as to the correctness of the payable recorded upon the purported refund of the related deposits upon the purported termination of the Scorpio Contracts, and whether further adjustments, if any, to the prior year financial statements are required."

Update after FY2011
Please refer to paragraph (b) above.

d) *Further Action by the Company on Report of the Special Auditors (FY2011)*
"In March 2011, a firm of independent accountants (the "Special Auditors") was appointed by the Company to ascertain the veracity of the transactions and balances as described in Paragraphs (a) to (c) above and in August 2011, they have issued a report on their findings (the "Report").

Following the issue of the Report, we understand that the Company is seeking legal advice on the findings contained in the Report and will take such steps and actions as may be necessary to protect the interest of the Company's shareholders and the Group. In addition, the Company has appointed a legal firm to act for and assist the Company in respect of all legal matters arising from or relating to the Report, and any legal or regulatory proceedings in connection therewith, including whether the matters described in the Report should be referred to the relevant authorities.

The effect of any possible actions and outcomes arising from such legal advice cannot be presently determined. Accordingly, we are unable to determine what adjustments, if any, may be required to be made to the accompanying financial statements of the Company and the Group."

Update since FY2011
In FY2012, the matters referred in the Special Auditors' Report were referred to the CAD. On February 27, 2012, the CAD issued a notice to the Company to make available information and documents necessary for their investigation (Note 33).
During the current financial year, the investigation by the CAD is still in progress.

e) *Trade Receivable (FY2011)*
"Included in the prior year trade receivables (Note 8) was an amount of $155,668 receivable from a debtor. We have not been provided with sufficient appropriate audit evidence as to the recoverability of the receivables from this debtor."
Update after FY2011
In FY2012, management recorded an impairment loss of $155,668 on this trade receivable.
The trade receivable of $155,668 has not been collected as at year end."

5.2.2 Financial performance and position of the Target Group

The following are extracts from the audited consolidated financial statements of the Target Group for TFY2013, TFY2012 and TFY2011, and the unaudited financial statements of the Target Group for THY2014 and THY2013, which should be read in conjunction with the full text of the Circular, including the Letter to Shareholders from the Directors of KOP Properties Pte. Ltd., as well as Appendix G and H of the Circular.

Consolidated statement of income

Figures in S$'000	Unaudited THY2014	Unaudited THY2013	Audited TFY2013	Audited TFY2012	Audited TFY2011
Revenue	11,893	19,230	41,046	12,000	6,099
Cost of sales	(6,609)	(9,960)	(22,375)	-	-
Gross Profit/(Loss)	5,284	9,270	18,671	12,000	6,099
Profit/(Loss) before tax	326	2,636	5,432	10,447	17,056
Profit/(Loss) after tax	258	16	1,393	8,572	16,265
Profit attributable to the equity holders	124	9	1,393	8,607	16,275

Notes:
(1) Figures and computation presented in this section are subject to rounding.

THY2014 vs THY2013

The Target Group derives its revenue from (a) real estate development and investment, (b) real estate origination and management services, and (c) hospitality business. The Target Group registered revenue of approximately S$11.9 million in THY2014, which is a decline of approximately 38.2% from S$19.2 million in the previous corresponding period. The decline in the revenue in THY2014 was attributed to lower contribution from the real estate development and investment (declined from approximately S$11.5 million in THY2013 to approximately S$5.1 million in THY2014 due to lesser units sold at Montigo Resorts, Nongsa) and the real estate origination and management services (declined from approximately S$6.9 million in THY2013 to S$1.9 million in THY2014 due to completion of the development of The Ritz-Carlton Residences and Hamilton Scotts), which was partially offset by an increase in the contribution from the hospitality business (increased from approximately S$0.9 million in THY2013 to approximately S$4.9 million in THY2014 due to the consolidation of the full six (6) months results of Cranley Hotel in the United Kingdom and Montigo Resorts, Nongsa in Indonesia for HY2014 compared to consolidation of one (1) month results of Cranley Hotel and four (4) months results of Montigo Resorts, Nongsa for HY2013). The hospitality business is a new business segment that the Target Group entered into in FY2013.

The Target Group registered a gross profit of approximately S$5.3 million in THY2014, which represents a decline of approximately 43.0% from S$9.3 million recorded in THY2013.

Other income (net of expenses) increased by approximately S$3.8 million or 418.0% from approximately S$0.9 million in THY2013 to approximately S$4.7 million in THY2014, mainly due to a gain on disposal of an associate of S$0.2 million and management fee for the provision of corporate services earned from immediate holding corporation and related corporation of S$2.3 million, recovery of expenses from immediate holding corporation of S$1.2 million in FY2014 (relating to previous listing expenses).

Administrative expenses (mainly consists of employee compensation, advertising and marketing expenses, and other hotel operating expenses) increased by approximately S$2.4 million or 38.5% from S$6.2 million in THY2013 to S$8.6 million in THY2014, mainly due to increase in employee compensation of S$0.8 million from increase in headcount, increase in professional fees of S$0.5 million, increase in depreciation expense of S$0.7 million, increase in utilities and maintenance expense of S$0.3 million and increase in rental expenses of S$0.3 million. Meanwhile, finance expenses increased slightly by approximately 10.5% to approximately S$0.8 million in THY2014.

Share of results from interest in an associated company decreased by approximately S$0.3 million or 52.2% from losses of S$0.6 million in THY2013 to S$0.3 million in THY2014, mainly due to decrease in losses for the associated company.

As a result of the decline in the revenue coupled with the increase in the administrative expenses, the Target Group recorded profit before tax of approximately S$0.3 million in THY2014, which is lower than the profit before tax of approximately S$2.6 million in THY2013.

Income tax expense decreased substantially by approximately 97.4% from S$2.6 million in THY2013 to S$68.4 thousand in THY2014, mainly due to a local tax rate of 10% imposed on the revenue from real estate development and investment in Indonesia and the tax penalty of S$0.5 million levied by the Indonesian tax authorities for late-payment of income tax liabilities in THY2013. The income tax expense of S$68.4 thousand in THY2014 was mainly due to local tax of 10% imposed on the revenue from real estate development and investment in Indonesia offset by deferred tax asset from Cranley Hotel Limited ("**CHL**").

The Target Group registered profit after tax attributable to the equity holders of approximately S$0.1 million in THY2014 as compared to a small profit after tax attributable to the equity holders of approximately S$9.5 thousand in THY2013.

TFY2013 vs TFY2012

The Target Group registered revenue of approximately S$41.0 million in TFY2013, which represents a substantial increase of approximately 242.1% from the revenue of approximately S$12.0 million in TFY2012. The substantial increase in the revenue was attributed to the contribution from the real estate development and investment of approximately S$24.0 million which arose from the selling of units at Montigo Resorts, Nongsa (TFY2012: nil), hospitality business of approximately S$4.9 million (TFY2012: nil), and the higher contribution from the real estate origination and management services (increased from approximately S$12.0 million in TFY2012 to approximately S$12.2 million in TFY2013). During TFY2013, the Target Group's hospitality business registered revenue of S$4.9 million compared to nil in TFY2012 mainly due to the acquisition of Cranley Hotel in the United Kingdom and the commencement of hospitality operations in Montigo Resorts, Nongsa in Indonesia.

The Target Group registered a gross profit of approximately S$18.7 million in TFY2013, which represents an increase of approximately 55.6% from S$12.0 million recorded in TFY2012.

In TFY2012, the Target Group recorded a gain from bargain purchase of approximately S$2.1 million, which arose from the acquisition of Series B redeemable preference shares ("**RPS**") and junior notes (the "**Junior Notes**") held by one of the existing preference shareholders and junior noteholders of Royce Properties Pte Ltd ("**Royce Properties**"). In TFY2013, there was no gain recorded from bargain purchase as there was no further subscription or acquisition of any RPS or Junior Notes issued by Royce Properties.

Other income (net of expenses) increased by approximately S$1.1 million or 113.0% from S$1.0 million in TFY2012 to S$2.1 million in TFY2013, mainly due to increases in commission income of approximately S$0.7 million, income from forfeiture of deposits of approximately S$0.7 million, decrease in interest income of approximately S$2.7 million offset by a decrease of approximately S$2.5 million in impairment of receivable from an associated company which was impaired in TFY2012 and a gain on disposal of an associate of approximately S$0.2 million.

Administrative expense increased by approximately S$6.3 million or 72.2% from approximately S$8.7 million in TFY2012 to approximately S$15.0 million in TFY2013, mainly due to increase in employee compensation of approximately S$2.2 million from increase in headcount, increase in sales and marketing expenses of approximately S$0.3 million, increase in depreciation expense of approximately S$0.4 million, increase in utilities and maintenance expense of approximately S$1.2 million and hotel operating expenses of approximately S$2.0 million which was offset by a decrease in professional fees of approximately S$0.6 million and decrease in technical services fees of approximately S$0.3 million. Finance expense increased slightly by approximately 0.7% to approximately S$1.5 million in TFY2013.

Share of results from interest in an associated company decreased by approximately S$4.7 million or 81.0% from S$5.8 million in TFY2012 to S$1.1 million in TFY2013, mainly due to decrease in profits for the associated company. There was no share of results from investment in associate in TFY2013 as the Target Group had divested its 30% equity interest in Bullet Investments Limited.

Despite the higher revenue recorded in TFY2013, the Target Group reported a lower profit before tax of approximately S$5.4 million as compared to S$10.4 million in TFY2012 mainly due to the higher administrative expenses coupled with the lower share of results from interest in an associated company.

Income tax expense increased by approximately S$2.2 million or 115.4% from approximately S$1.9 million in TFY2012 to approximately S$4.0 million in TFY2013, mainly due to a local tax rate of 10% imposed on the revenue from real estate development and investment segment in Indonesia and the tax penalty of S$0.5 million levied by the Indonesian tax authorities for late payment of income tax liabilities. As a result the effective tax rate increased from 17.9% in TFY2012 to 74.4% in TFY2013.

The Target Group registered profit after tax attributable to the equity holders of approximately S$1.4 million in TFY2013 as compared to profit after tax attributable to the equity holders of approximately S$8.6 million in TFY2012.

TFY2012 vs TFY2011

The Target Group registered revenue of approximately S$12.0 million in TFY2012, which represents a substantial increase of approximately 96.8% from the revenue of approximately S$6.1 million in TFY2011. The revenue in both TFY2012 and TFY2011 were solely derived from the real estate origination and management services. The increase in the revenue in TFY2012 was attributable to management fee recognised from the development of The Ritz-Carlton Residences, Hamilton Scotts and 10 Trinity Square.

The Target Group registered a gross profit of approximately S$12.0 million and S$6.1 million in TFY2012 and TFY2011 respectively (as there was no direct attributable cost to the real estate origination and management services).

In TFY2011 and TFY2012, the Target Group acquired Series B RPS and Junior Notes held by two of the existing preference shareholders and junior noteholders of Royce Properties. As a result, a net gain of S$2.1 million and S$14.5 million relating to the Target Group’s proportion of the profits over the purchase consideration is recognised in TFY2012 and TFY2011 respectively.

Other income (net of expenses) increased from approximately S$28 thousand in TFY2011 to approximately S$1.0 million in TFY2012, mainly due to mainly due to an increase in interest income of approximately S$3.5 million as compared to S$32 thousand in TFY2011, which was partially offset by S$2.5 million impairment of receivable from an associated company.

Administrative expense increased by approximately S$3.6 million or 69.5% from approximately S$5.1 million in TFY2011 to approximately S$8.7 million in TFY2012, mainly due to increase in employee compensation of approximately S$1.0 million from introducer fee share and/or executor fee share paid in TFY2012 and increase in headcount, increase in professional fees of approximately S$0.8 million, increase in sales and marketing expenses of approximately S$1.2 million, and increase in depreciation expense of approximately S$0.1 million. Finance expense increased from approximately S$0.1 million in TFY2011 to approximately S$1.5 million in TFY2012 mainly due to increase in interest expense from bank borrowings taken up in March 2011 for the acquisition of Junior Notes with principal amount of S$10 million and ten Series B RPS all issued by Royce Properties from a third party.

Share of results from interest in an associated company increased by approximately S$4.1 million or 255.2% from approximately S$1.6 million in TFY2011 to approximately S$5.8 million in TFY2012, mainly attributable to an increase in interest in an associated company from 37.0% in TFY2011 to 39.9% in TFY2012 and accounting for its share of profits for a full year in FY2012 compared to share of profits for one month in TFY2011.

During TFY2012, the Target Group acquired a 30.0% interest in Bullet Investments. In TFY2012, the share of loss from investment in associate, Bullet Investments, of approximately S$0.2 million relates mainly to sales and marketing expenses.

Despite the higher revenue recorded in TFY2012, the Target Group reported a lower profit before tax of approximately S$10.4 million as compared to S$17.1 million in TFY2011 mainly due to the higher administrative expenses coupled with the lower gain from bargain purchase.

Income tax expense increased by approximately S$1.1 million or 137.0% from approximately S$0.8 million in TFY2011 to approximately S$1.9 million in TFY2012, mainly due to decrease in non-taxable gain from bargain purchase of approximately S$12.4 million. As a result the effective tax rate increased from 4.6% in TFY2011 to 17.9% in TFY2012.

The Target Group registered profit after tax attributable to the equity holders of approximately S$8.6 million in TFY2012 as compared to profit after tax attributable to the equity holders of approximately S$16.3 million in TFY2011.

The following tabulates the gross profit, profit before tax and after tax margins for the Target Group:

Profitability Margins	Unaudited THY2014	Unaudited THY2013	Audited TFY2013	Audited TFY2012	Audited TFY2011
Gross profit margin	44.4%	48.2%	45.5%	100%	100%
Profit/(Loss) before tax margin	2.7%	13.7%	13.2%	87.1%	279.7%
Profit/(Loss) after tax margin	2.2%	0.1%	3.4%	71.4%	266.7%
Profit/(Loss) after tax margin attributable to the equity holders	1.0%	0.05%	3.4%	71.7%	266.8%

The profit margins of the Target Group for THY2014 and TFY2013 are substantially lower than those recorded in TFY2012 and TFY2011. The higher gross profit margins in TFY2012 and TFY2011 were due to the fact that the revenue was solely derived from the real estate originations and management services where there were no direct costs attributable to it. Meanwhile in TFY2013 and THY2014, the Target Group's revenue included the contribution from the real estate development and investment and the hospitality business. The substantially higher profit before and after tax margins in TFY2011 was due mainly to the gain from bargain purchase of approximately S$14.5 million, while the high profit before and after tax margins in TFY2012 were mainly attributed to the gain from bargain purchase of approximately S$2.1 million and the share of results from interest in an associated company of approximately S$5.8 million.

Consolidated Statement of Financial Position

The table below is the extract of the Target Group's unaudited balance sheet for THY2014 and audited balance sheet for TFY2013, TFY2012 and TFY2011.

Figures in S$'000	Unaudited THY2014	Audited TFY2013	Audited TFY2012	Audited TFY2011
Non-current assets	76,939	82,721	54,252	40,756
Current assets	62,512	50,655	123,420	36,902
Non-current liabilities	53,792	24,545	19,406	11,472
Current liabilities	53,923	80,230	57,896	48,227
Total borrowings	48,593	49,989	29,640	20,065
Shareholders' equity	30,347	27,348	100,370	17,924
Net working capital	8,589	(29,575)	65,524	(11,325)

Notes:
(1) Figures and computation presented in this section are subject to rounding.

THY2014 vs TFY2013

Assets

The Target Group's total assets increased by approximately 4.6% from approximately S$133.4 million as at 31 March 2013 to approximately S$139.5 million as at 30 September 2013 due to an increase in current assets (rose by approximately 23.4% to approximately S$62.5 million as at 30 September 2013), which was partially offset by a decrease in non-current assets (declined by approximately 7.0% to approximately S$76.9 million as at 30 September 2013).

The increase in current assets as at 30 September 2013 were due to:

(i) Higher cash and bank balances (increased from approximately S$2.3 million as at 31 March 2013 to approximately S$6.0 million as at 30 September 2013);

(ii) Increase in development properties (rose from approximately S$30.0 million as at 31 March 2013 to approximately S$52.3 million as at 30 September 2013) due to the continued development of the development properties in Indonesia which includes units in Montigo Resorts, Nongsa and acquisition of Montigo Resorts, Seminyak;

(iii) Increase in inventories (rose from approximately S$236.9 thousand as at 31 March 2013 to approximately S$265.3 thousand as at 30 September 2013);

and were partially offset by a decline in trade and other receivables from approximately S$15.8 million as at 31 March 2013 to approximately S$3.4 million as at 30 September 2013.

The decline in non-current assets in THY2014 was attributed to declines in interest in associate (declined from approximately S$44.9 million as at 31 March 2013 to approximately S$35.6 million as at 30 September 2013 due to the restructuring in July 2013 which involved the cancellation of all the RPS for Royce Properties and reduction of denomination of each Junior Note for Royce Properties with no change in the proportional entitlement to the economic benefits for the Junior Notes holders), available for sale investments (declined from approximately S$2.0 million as at 31 March 2013 to nil as at 30 September 2013 due to the disposal of its investments in ordinary share capital of Royce Properties and Sardinia Properties Pte. Ltd. ("**Sardinia Properties**") in April 2013), and intangible assets, which was partially offset by an increase in property, plant and equipment (rose from approximately S$34.7 million as at 31 March 2013 to approximately S$39.7 million as at 30 September 2013 mainly due to the continued development of development properties in Indonesia) and the deferred income tax assets due to tax payable on the revenue collection from real estate development and investment segment in Indonesia (rose from approximatelyS$1.1 million as at 31 March 2013 to S$1.6 million as at 30 September 2013)

Liabilities

Total liabilities increased from approximately S$104.8 million as at 31 March 2013 to approximately S$107.7 million as at 30 September 2013 due to an increase in non-current liabilities (rose by approximately 119.2% to approximately S$53.8 million as at 30 September 2013) and was partially offset by a decline in current liabilities (decreased by approximately 32.8% to approximately S$53.9 million as at 30 September 2013). The increase in non-current liabilities was attributable to the higher non-current portion of borrowings (increased from approximately S$15.3 million as at 31 March 2013 to approximately S$41.9 million as at 30 September 2013) and non-current portion of sales proceeds received in advance in relation to the real estate development and investment in Montigo Resorts, Nongsa (increased from approximately S$7.4 million as at 31 March 2013 to approximately S$10.1 million as at 30 September 2013) and was partially offset by a slight decline in deferred income tax liabilities (declined by approximately 2.0% to approximately S$1.8 million as at 30 September 2013).

The decline in current liabilities in THY2014 was due to overall declines in trade payables (declined from approximately S$6.9 million as at 31 March 2013 to approximately S$5.2 million as at 30 September 2013), current portion of borrowings (declined from approximately S$34.7 million as at 31 March 2013 to approximately S$6.7 million as at 30 September 2013), current portion of sales proceeds received in advance in relation to the real estate development and investment in Montigo Resorts, Nongsa (decreased from approximately S$3.4 million as at 31 March 2013 to approximately S$0.6 million as at 30 September 2013), and current income tax liabilities (decreased from approximately S$4.4 million as at 31 March 2013 to approximately S$3.9 million as at 30 September 2013). This was partially offset by an increase in other payables from approximately S$30.8 million as at 31 March 2013 to approximately S$37.5 million as at 30 September 2013). The other payables as at 30 September 2014 comprise advances from KOPG of approximately S$18.9 million for general working capital, accrued expenses and development costs of approximately S$5.5 million, advances from related corporations of approximately S$4.9 million, advances from non-controlling interest of approximately S$1.5 million, deferred income of S$3.8 million and other payables of approximately S$2.8 million.

We note that the Target Group reported a positive net working capital of approximately S$8.7 million as at 30 September 2013 as compared to a negative net working capital of approximately S$29.6 million as at 31 March 2013. In addition, the Target Group’s total borrowings (mainly relates to bank loan for the construction of Montigo Resorts, Nongsa, loan facilities for the acquisition of Cranley Hotel and Montigo Resorts, Seminyak and finance lease liabilities) declined slightly by approximately 2.8% to approximately S$48.6 million as at 30 September 2013. As a result of the lower borrowing and an increase in shareholders’ equity (rose from approximately S$27.3 million as at 31 March 2013 to approximately S$30.3 million as at 30 September 2013 mainly due to higher other reserves), the Target Group’s gearing ratio in terms of total borrowing to shareholders’ equity improved slightly from approximately 1.8 times in TFY2013 to approximately 1.6 times in THY2014. Based on the discussion with the Target Directors and Target Management, understand that there is no breach of covenant for the borrowings as at 30 September 2013.

TFY2013 vs TFY2012

Assets

The Target Group's total assets decreased by approximately 24.9% from approximately S$177.7 million as at 31 March 2012 to approximately S$133.4 million as at 31 March 2013 due to a decline in current assets (declined by approximately 59.0% to approximately S$50.7 million as at 31 March 2013), which was partially offset by an increase in non-current assets (rose by approximately 52.5% to approximately S$82.7 million as at 31 March 2013).

The decline in current assets as at 31 March 2013 were due to:

(i) Lower cash and bank balances (decreased from approximately S$8.3 million as at 31 March 2012 to approximately S$2.3 million as at 31 March 2013);

(ii) Decline in trade receivables (decreased from approximately S$12.0 million as at 31 March 2012 to approximately S$8.2 million as at 31 March 2013) and other receivables (decreased from approximately S$71.5 million as at 31 March 2012 to approximately S$7.6 million as at 31 March 2013). The substantially higher other receivables in TFY2012 was mainly due to the notes receivable from an associated company of approximately S$63.6 million (TFY2013: nil). This amount relates to the 30% interest in the discounted note receivables issued by Bullet Investments. On 5 September 2012, the Target Company performed a capital reduction of 4,736,842 shares amounting to S$63.6 million as part of the restructuring of the investment in Bullet Investments;

(iii) Decline in other current assets (comprising deposits and prepayments and declined from approximately S$4.4 million as at 31 March 2012 to approximately S$2.3 million as at 31 March 2013);

and were partially offset by an increase in the development properties (rose by approximately 10.5% to approximately S$30.0 million as at 31 March 2013) and an increase in inventories to S$0.2 million as at 31 March 2013 (31 March 2012: nil).

The increase in non-current assets in TFY2013 was due mainly to higher property, plant and equipment (increased from approximately S$4.3 million as at 31 March 2012 to approximately S$34.7 million arising mainly from the acquisition of the Cranley Hotel) and was partially offset by a decline in the interest in associate (declined from approximately S$46.3 million as at 31 march 2012 to approximately S$44.9 million as at 31 March 2013) and the decline in deferred income tax assets from approximately S$1.7 million as at 31 March 2012 to approximately S$1.1 million as at 31 March 2013 due to tax payable on the revenue collection from real estate development and investment segment in Indonesia.

Liabilities

Total liabilities increased from approximately S$77.3 million as at 31 March 2012 to approximately S$104.8 million as at 31 March 2013 due to increases in both current and non-current liabilities. Non-current liabilities increased by approximately 26.5% to approximately S$24.5 million as at 31 March 2013 and the increase was attributable to the non-current portion of borrowings of approximately S$15.3 million (TFY2012: nil) and higher deferred income tax liabilities (rose from approximately S$1.6 million as at 31 March 2012 to approximately S$1.8 million as at 31 March 2013), which was partially offset by lower non-current portion of sales proceeds received in advance for the real estate development and investment at Montigo Resorts, Nongsa (declined from approximately S$17.8 million as at 31 March 2012 to approximately S$7.4 million as at 31 March 2013).

Current liabilities increased by approximately 38.6% to approximately S$80.2 million as at 31 March 2013. The increase in current liabilities was caused by overall increases in trade and other payables (increased from approximately S$24.9 million as at 31 March 2012 to approximately S$37.8 million as at 31 March 2013), current portion of borrowings (increased from approximately S$29.6 million as at 31 March 2012 to approximately S$34.7 million as at 31 March 2013), current portion of sales proceeds received in advance in relation to the real estate development and investment in Montigo Resorts, Nongsa (increased from nil as at 31 March 2012 to approximately S$3.4 million as at 31 March 2013), and current income tax liabilities (increased from approximately S$3.4 million as at 31 March 2012 to approximately S$4.4 million as at 31 March 2013).

We note that the Target Group reported a negative net working capital of approximately S$29.6 million as at 31 March 2013 as compared to a positive net working capital of approximately S$65.5 million as at 31 March 2012. In addition, the Target Group's total borrowings increased substantially by approximately 68.7% to approximately S$50.0 million as at 31 March 2013, while its shareholders' equity decreased from approximately S$100.4 million as at 31 March 2012 to approximately S$27.3 million as at 31 March 2013. We note that the decline in the shareholders' equity was resulted mainly from capital reduction performed by the Target Group as part of the restructuring and disposal of its investment in Bullet Investments (reducing the share capital from S$78.8 million to S$15.0 million), lower retained profits (due to payment of dividends of approximately S$9.0 million). As a result of the higher borrowing coupled with the decrease in shareholders' equity, the Target Group's gearing ratio in terms of total borrowing to shareholders' equity increased from approximately 0.3 times in TFY2012 to approximately 1.8 times in TFY2013.

As set out in note 21 to the Target Group's audited financial statements, the Target Group has breached certain covenant in respect of its bank borrowing (obtained to finance development activities of its Indonesian subsidiary), which resulted in an event of default which the lenders could demand the borrowings to be immediately due and payable. In view of the breaches, these borrowings amounted to approximately S$19.9 million has been classified as current liabilities as at 31 March 2013. Based on the discussion with the Target Management, we note that the breach relates to the requirement to maintain a certain minimum balance in the escrow account (for 6 months of interests payment or 3 months principal payment plus 3 months interest payment during the relevant period).

TFY2012 vs TFY2011

Assets

The Target Group's total assets increased by approximately 128.8% from approximately S$77.7 million as at 31 March 2011 to approximately S$177.7 million as at 31 March 2012 due to higher current assets and non-current assets.

Current assets increased from approximately S$36.9 million as at 31 March 2011 to approximately S$123.4 million as at 31 March 2012 due to:

(iv) Higher cash and bank balances (increased from approximately S$4.5 million as at 31 March 2011 to approximately S$8.3 million as at 31 March 2012);

(v) Increase in trade receivables (rose from approximately S$8.0 million as at 31 March 2011 to approximately S$12.0 million as at 31 March 2012) and other receivables (increased from approximately S$12.0 million as at 31 March 2011 to approximately S$71.5 million as at 31 March 2012). The substantially higher other receivables in TFY2012 was mainly due to the notes receivable from an associated company of approximately S$63.6 million (TFY2011: nil);

(vi) Increase in other current assets (comprising deposits and prepayments and increased from approximately S$24.0 thousand as at 31 March 2011 to approximately S$4.4 million as at 31 March 2012); and

(vii) Increase in development properties (rose from approximately S$12.3 million as at 31 March 2011 to approximately S$27.2 million as at 31 March 2012).

Non-current assets increased by approximately 33.1% to approximately S$54.3 million as at 31 March 2012. The increase in non-current assets was attributable to higher interest in associate as well as property, plant and equipment.

Liabilities

Total liabilities increased from approximately S$59.7 million as at 31 March 2011 to approximately S$77.3 million as at 31 March 2012 due to increases in both current and non-current liabilities. Non-current liabilities increased by approximately 69.2% to approximately S$19.4 million as at 31 March 2012 and the increase was attributable to higher non-current portion of sales proceeds received in advance for the real estate development and investment at Montigo Resorts, Nongsa (increased from approximately S$10.2 million as at 31 March 2011 to approximately S$17.8 million as at 31 March 2012) and deferred income tax liabilities (increased from approximately S$1.2 million as at 31 March 2011 to approximately S$1.6 million as at 31 March 2012).

Current liabilities increased by approximately 20.0% to approximately S$57.9 million as at 31 March 2012. The increase in current liabilities was caused by overall increases in trade payables (increased from approximately S$2.5 million as at 31 March 2011 to approximately S$6.6 million as at 31 March 2012), current portion of borrowings (increased from approximately S$20.0 million as at 31 March 2011 to approximately S$29.6 million as at 31 March 2012), and current income tax liabilities (increased from approximately S$1.7 million as at 31 March 2011 to approximately S$3.4 million as at 31 March 2011), which was partially offset by a decline in other payables of approximately S$5.8 million.

We note that the Target Group reported a positive net working capital of approximately S$65.5 million as at 31 March 2012 as compared to a negative net working capital of approximately S$11.3 million as at 31 March 2011. In addition, the Target Group's total borrowings increased by approximately 47.7% to approximately S$29.6 million as at 31 March 2012, while its shareholders' equity increased substantially from approximately S$17.9 million as at 31 March 2011 to approximately S$100.4 million as at 31 March 2012. We note that the substantial increase in the shareholders' equity was resulted mainly from the issuance of 10 million ordinary shares for a consideration amounting to S$10.0 million to its immediate holding corporation (which was paid via capitalisation of the amount owing to the immediate holding corporation), issuance of approximately 4.7 million ordinary shares for a consideration amounting to approximately S$63.8 million as a payment for acquisition of 30% equity interest in Bullet Investments, and an increase in retained profit (due to profit incurred in TFY2012). Accordingly, the Target Group's gearing ratio in terms of total borrowing to shareholders' equity was approximately 0.3 times in TFY2012 as compared to approximately 1.1 times in TFY2011.

As set out in note 21 to the Target Group's audited financial statements, the Target Group has breached certain covenant in respect of its bank borrowing (obtained to finance development activities of its Indonesian subsidiary), which resulted in an event of default or potential event of default for which the lenders could demand the borrowings to be immediately due and payable. In view of the breaches, these borrowings amounted to approximately S$14.6 million has been classified as current liabilities as at 31 March 2012. Based on the discussion with the Target Management, we note that the breach relates to the requirement to maintain a certain minimum balance in the escrow account (for 6 months of interests payment or 3 months principal payment plus 3 months interest payment during the relevant period). The Target Management has represented to us that the escrow account with the said lender was only open in May 2012, which is subsequent to the TFY2012.

5.2.3 Target Group - Debt servicing capability and breach of loan covenants

Debt servicing

We note that the Target Group's EBITDA and net cash generated from operating activities for THY2014 are approximately S$1.8 million and S$1.5 million. Meanwhile, the Target Group's interest paid during THY2014 is approximately S$1.5 million and current portion of borrowings amounted to approximately S$6.7 million as at 30 September 2013. In view of the above, the Target Group may have difficulties in servicing its current portion of borrowings and its interest.

However, the Target Directors and Target Management have represented to us that they are confident that the Target Group will be able to service its current portion of borrowings and its interest in view of the Proposed Placement and the proceeds or profit from future sales of its property development as well as from the hospitality business. In addition, the Directors are satisfied that the Target Group will be able to service the interest and principal repayment due.

We note from Section 6 of the Circular that the Proposed Placement will involve issuance of up to 80 million Placement Shares at a minimum placement price of S$0.21 per Placement Share. Thus, the estimated gross proceeds from the Proposed Placement is approximately S$16.8 million (based on S$0.21 per Placement Share). Independent Shareholders should note that as at the Latest Practicable Date, no definitive placement agreement has been entered into and that the terms of the Proposed Placement, as well as the timing of the Proposed Placement, if and when it occurs, would depend on various factors such as market conditions. There is no assurance that the Proposed Placement will be conducted at a placement price higher than S$0.21 per Placement Share or at a price above the Issue Price. Independent Shareholders should also note that the Target Group's ability to service its current portion of borrowings and its interest will be dependent on, *inter alia,* its ability to sell the units under its property development at a profit as well as the profitability of its hospitality business. Save as disclosed in the Circular, we understand from the Target Directors that there is no firm contract or sales and purchase agreement for the property units under its real estate development and investment business segment as at the Latest Practicable Date. We wish to highlight that no profit warranty has been provided by any party with respect to the future performance of the Target Group in connection with the Proposed Acquisition. Thus there can be no assurance that the Target Group will be able to maintain or improve its profitability or profit after tax.

In addition, based on the unaudited financial statement of the target Group for THY2014, non-trade payable of approximately S$18.9 million and approximately S$4.9 million due to KOPG and related corporations, and these balances are unsecured, interest-free and repayable on demand. In the event that KOPG and the related corporations call for repayment of the non-trade payable within the near term, the Target Group may face significant cash flow difficulties.

Breach of loan covenants

As set out in note 21 to the Target Group's audited financial statements, as at 31 March 2013 and 31 March 2012, the Target Group has breached certain covenant in respect of its bank borrowing (obtained from PT Bank CIMB Niaga Tbk ("**CIMB Niaga**") to finance development activities of its Indonesian subsidiary, the "**Loans from CIMB Niaga**"), which resulted in an event of default which the lenders could demand the borrowings to be immediately due and payable. In view of the breaches, these Loans from CIMB Niaga amounted to approximately S$19.9 million has been classified as current liabilities as at 31 March 2013 (FY2012: S$14.6 million). Based on the discussion with the Target Management, we note that the breach relates to the requirement to maintain a certain minimum balance in the escrow account (for 6 months of interests payment or 3 months principal payment plus 3 months interest payment during the relevant period). As at the

Lastest Practicable Date, the said covenant has been breached.

Based on the discussion with the Target Directors and Target Management, understand that there is no breach of covenant for the borrowings as at 30 September 2013. However, the Target Directors have represented to us that in relation to the Loans from CIMB Niaga, the said minimum balance has not been maintained in the escrow account as at the Latest Practicable Date, thus there is technically a breach or potential breach of the loan covenants. We understand from the Target Directors that the said breach of loan covenant has since been rectified and confirmed by CIMB Niaga as at 27 March 2014.

We have not been provided with the loan facility letters for the Target Group's existing borrowings, hence we have not reviewed the loan covenants for the Target Group's existing borrowings.

<u>Undertaking and confirmation from KOPG and the Target Company</u>

KOPG has provided undertaking and confirmation ("**KOPG's Undertaking and Confirmation**"), *inter alia*, that:-

(i) It undertakes that it will not to recall the advances owing by the Target Company and the Target Group to KOPG amounting to S$18,857,594.06 as at 30 September 2013 and owing to KOPG's group of subsidiaries amounting to S$4,933,127.49 as at 30 September 2013 until the Target Company has the financial ability to repay the balances and bank loans that form the current liabilities.

(ii) In relation to the Loans from CIMB Niaga, KOPG confirms that on 26 March 2014, it has deposited such amounts in the escrow accounts and will maintain or procure KOPP or its subsidiaries to maintain the amounts in the escrow account as may be required by CIMB Niaga from time to time. On 27 March 2014, CIMB Niaga confirmed that the covenant to maintain the minimum balance in the escrow account has been complied with.

    Based on KOPG's available information, reasonable knowledge and belief, KOPG confirms that it is not aware of any material breach of covenants in respect of the bank borrowings provided by United Overseas Bank Limited, London Branch ("**UOB London**") to KOPP's subsidiary, Cranley Real Estate Limited, which will cause UOB London to recall the bank borrowings.

    Based on KOPG's available information, reasonable knowledge and belief, KOPG confirms that there is no material potential event of default which will cause CIMB Niaga or other banks to recall the bank borrowings provided to KOPP or its subsidiaries.

(iii) KOPG shall use its best endeavours to cause KOPP to utilize part of the proceeds raised from the Proposed Placement to ensure sufficient funds to repay part of the loans from CIMB Niaga and UOB London that form the current liabilities, currently at approximately S$6.67 million as at 30 September 2013.

(iv) It undertakes to ensure KOPP has working capital adequacy for the next 12 months and to ensure that the covenant currently imposed by CIMB Niaga and such other banks will be complied with for the next 12 months.

In addition, the Target Company has provided undertaking and confirmation ("**KOPP's Undertaking and Confirmation**"), *inter alia,* that:

(i) It shall utilize part of the proceeds to be raised from the Proposed Placement to ensure sufficient funds to repay part of the loans from CIMB Niaga and UOB London that form the current liabilities, currently at approximately S$6.67 million as at 30 September 2013.

(i) In relation to the Loans from CIMB Niaga, KOPP confirms that on 26 March 2014, it has deposited such amounts in the escrow accounts and will maintain or procure its subsidiaries to maintain the amounts in the escrow account as may be required by CIMB Niaga from time to time.

In addition, the Directors and the Target Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows to be generated from the Enlarged Group's operations, the existing cash and cash equivalents and the expected proceeds from the Proposed Placement, the working capital available to the Enlarged Group is sufficient for present requirements and for at least 12 months after the Completion of the Proposed Acquisition and payment of interest and principal due.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the financial statements for HY2014 for the Group and the financial statement for THY2014 for the Target Group. The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Target Company or the Target Group or the Enlarged Group after the completion of the transactions stipulated in the Circular or the possibility or probability that the Group or the Target Group or the Enlarged Group can improve their profitability or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the ability of the Target Group to service its borrowings (both principal and interest payment) when fall due or the fairness of the prices at which the Placement Shares may be issued pursuant to the Proposed Placement.

5.3 NAV and NTA of the Group and the Target Group

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However the NAV approach does not take into account or consideration nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (other than intangible assets) in an orderly manner or over a reasonable period of time at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed.

5.3.1 NAV and NTA of the Group

In assessing the Issue Price of S$0.21 for each Consideration Share, in relation to the NAV and NTA per Share of the Group as at 31 October 2013, we have reviewed the unaudited balance sheet of the Group as at 31 October 2013 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited balance sheet of the Group as at 31 October 2013 and in the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited balance sheet as at 31 October 2013 in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at the Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 October 2013, save as disclosed in the unaudited financial statement of the Group as at 31 October 2013 as well as the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the unaudited financial statements of the Group as at 31 October 2013 are true and fair. Lastly, the Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

Unaudited Consolidated Balance Sheet as at 31 October 2013[(1)]	S$'000
Non-Current Assets	
Intangible assets	802
Property, plant and equipment	10,896
Investment property	10,843
	22,541
Current Assets	
Cash and cash equivalents	2,232
Trade receivables	597
Other receivables and prepayments	2,872
Inventories	82
Prepaid film rights	787
	6,570
Non-Current Liabilities	
Bank loans (secured)	11,683
Finance leases	1,025
	12,708
Current Liabilities	
Current portion of bank loans (secured)	1,309
Trade payables	378
Other payables	3,467
Finance leases	654
Income tax payable	49
	5,857
Net assets value ("**NAV**") including non-controlling interests	10,546
Less: Non-controlling Interest	(237)
NAV attributable to Shareholders as at 31 October 2013	10,783
Less: Intangible assets	802
NTA as at 31 October 2013	9,981
NAV per Share[(2)] (S$)	**0.059**
NTA per Share[(2)] (S$)	**0.054**
Adjusted Issue Price[(3)] (S$)	**0.105**
Premium of the Adjusted Issue Price over the Group's NAV per Share	**79.3%**
Premium of the Adjusted Issue Price over the Group's NTA per Share	**93.7%**
Cash and cash equivalents (S$)	2,232
Cash and cash equivalents per Share (S$)	0.012
Adjusted Issue Price less cash and cash equivalents per Share (S$)	**0.093**
NAV per Share less cash and cash equivalents per Share (S$)	**0.046**
NTA per Share less cash and cash equivalents per Share (S$)	**0.042**
Premium of the Adjusted Issue Price less cash and cash equivalents per Share over the Group NAV per Share less cash and cash equivalents per Share	**100.0%**
Premium of the Adjusted Issue Price less cash and cash equivalents per Share over the Group NTA per Share less cash and cash equivalents per Share	**120.7%**

Notes:

(1) The figures above are based on the Group's latest announced unaudited financial results for the six months period ended 31 October 2013.

(2) The figures are computed based on the Company's issued Share capital of 184,168,117 Shares as at the Latest Practicable Date.

*(3) We note that the Proposed Share Consolidation will take effect prior to the issuance of the Consideration Shares. As such, after adjusting with the effect of the Proposed Share Consolidation, the adjusted Issue Price ("**Adjusted Issue Price**") is S$0.105 for each pre-consolidation Consideration Shares.*

For illustrative purposes only, we note that the Adjusted Issue Price represents a premium of approximately 79.3% and 93.7% over the Group's NAV per Share and NTA per Share as at 31 October 2013 respectively. In addition, the Adjusted Issue Price less cash and cash equivalents per Share represents a premium of approximately 100.0% and 120.7% over the Group's NAV per Share less cash and cash equivalents per Share and NTA per Share less cash and cash equivalents per Share, respectively.

5.3.2 Revalued NAV and NTA of the Group

We understand from the Directors that the Company has commissioned ECG, an independent property valuer, to provide market valuation of its leasehold building located at 25 Tai Seng Avenue, Singapore 534104 as at 31 December 2013.

We note that the net book value of the leasehold building is approximately S$18.9 million as at 31 October 2013, which is substantially lower than the market value of approximately S$26.2 million as provided by the ECG in its report dated 31 December 2013.

For illustrative purpose only, the revaluation surplus has been calculated and presented in the table below assuming a hypothetical sale of the leasehold building which comprise the revalued leasehold building at the market value above, and as well as estimates to the effects of the surpluses or gains (based on the net book value of the investment property, leasehold land and building as at 31 October 2013). In addition, it is assumed that there is no deferred tax liability on the revalued leasehold building.

	S$'000
Market valuation of the leasehold building (as revalued by ECG as of 31 December 2013)	26,200
Less: net book value of Investment Property (as at 31 October 2013)	10,843
net book value of Leasehold Land (as at 31 October 2013)	841
net book value of the Building (as at 31 October 2013)	7,245
Revaluation surplus[(1)]	**7,271**
NAV of the Group as at 31 October 2013	10,783
Add: Revaluation surplus	7,271
Revalued NAV of the Group ("**Revalued NAV**")	**18,054**
Revalued NAV per Share (S$)[(2)]	0.098
NTA of the Group as at 31 October 2013	9,981
Add: Revaluation surplus	7,271
Revalued NTA of the Group ("**Revalued NTA**")	**17,252**
Revalued NTA per Share (S$)[(2)]	0.094
Adjusted Issue Price (S$)	0.105
Premium of the Adjusted Issue Price over the Revalued NAV per Share	**7.1%**
Premium of the Adjusted Issue Price over the Revalued NTA per Share	**12.1%**

Notes:

(1) Assuming that there is no deferred tax liability on the revalued leasehold building

(2) The figures are computed based on the Company's issued Share capital of 184,168,117 Shares as at the Latest Practicable Date.

Based on the table above, the Revalued NAV and the Revalued NTA of the Group would be approximately S$18.1 million and S$17.3 million respectively. The Adjusted Issue Price will be at a premium of approximately 7.1% and 12.1% from the Revalued NAV per Share of approximately S$0.098 and the Revalued NTA per Share of approximately S$0.094 respectively (based on the issued Share capital of 184,168,117 Shares as at the Latest Practicable Date).

We wish to highlight that the Revalued NAV and the Revalued NTA shown above include the revaluation surplus on the leasehold building. Shareholders should note that the Group has not realized the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Group on the leasehold building (in the event the leasehold building is disposed) will be the same as indicated above.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the respective types of NTA and is realisable or distributable to the Shareholders of the Group or the Company.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

5.3.3 NAV and NTA of the Target Group

In assessing the Consideration in relation to the NAV and NTA of the Target Group as at 30 September 2013, we have reviewed the unaudited balance sheet of the Target Group as at 30 September 2013 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited balance sheet of the Group as at 30 September 2013 and in the Circular, the Target Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited balance sheet as at 30 September 2013 in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Target Group as at the Latest Practicable Date.

The Target Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Target Group as at 30 September 2013, save as disclosed in the unaudited financial statement of the Target Group as at 30 September 2013 as well as the Circular. In addition, the Target Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted), and liabilities as well as financial performance or condition of the Target Group as disclosed and reflected in the unaudited financial statements of the Group as at 30 September 2013 are true and fair. Lastly, the Target Directors confirmed that to the best of their knowledge or belief that such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete in any respect or misleading.

Unaudited Consolidated Balance Sheet as at 30 September 2013	S$'000
Current assets	
Cash and bank balances	5,957
Trade and other receivables	3,411
Other current assets	554
Development properties	52,324
Inventories	266
	62,512
Non-current assets	
Interest in associate	35,608
Available-for-sale investments	-
Property, plant and equipment	39,704
Intangible assets	1
Deferred income tax assets	1,626
	76,939
Current liabilities	
Trade and other payables	42,695
Borrowings	6,673
Sales proceeds received in advance	628
Current income tax liabilities	3,927
	53,923
Non-current liabilities	
Borrowings	41,920
Sales proceeds received in advance	10,073
Deferred income tax liabilities	1,799
	53,792
Target Group's NAV before non-controlling interest	**31,736**
Less: Non-controlling interest	(1,389)
Target Group's NAV as at 30 September 2013	**30,347**
Less: Intangible assets	(1)
Target Group's NTA as at 30 September 2013	**30,346**
Consideration	**150,000**
Premium of Consideration over Target Group's NAV	**394.3%**
Premium of Consideration over Target Group's NTA	**394.3%**

For illustrative purposes only, we note that the Consideration represents a premium of approximately 394.3% over both the Target Group's NAV and the Target Group's NTA as at 30 September 2013 respectively.

5.3.4 Revalued NAV and NTA of the Target Group

In our evaluation of the Proposed Acquisition and the Consideration, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which recorded in the unaudited balance sheet of the Target Group as at 30 September 2013. We note from Section 2.2 of the Circular, pursuant to Rule 416(2) of the Catalist Rules, a property development company applying for admission to the Official List must also appoint an independent external valuer to conduct a valuation of all its principal freehold and leasehold properties. The Target Group has commissioned Cushman & Wakefield, HVS – London and

KJPP Rengganis (collectively, the "**Property Valuers**") to provide an independent valuation of its principal freehold and leasehold properties. The Property Valuation Reports are annexed in **Appendix B** of the Circular.

Based on the Property Valuation Reports, the total aggregate market value 'as is' (based on, *inter alia*, existing condition of the subject property) as at 31 October 2013 of the Montigo Resorts, Nongsa (as provided by KJPP Rengganis), the Montigo Resorts, Seminyak (as provided by KJPP Rengganis) and the Cranley Hotel (as provided by HVS - London) (collectively, the "**Revalued Properties**") is approximately S$129.8 million. We note that the net book value of the Revalued Properties is approximately S$82.9 million as at 30 September 2013, which is lower than the aggregate market value of approximately S$129.8 million as provided by the Property Valuers.

For illustrative purpose only, the revaluation surplus for the Revalued Properties has been calculated and presented in the table below assuming a hypothetical sale of the Revalued Properties at the market value 'as is' as provided by the Property Valuers above, and as well as estimates to the effects of the surpluses or gains (based on the net book value of the Revalued Properties as at 30 September 2013). In addition, it is assumed that there is no deferred tax liability on the Revalued Properties.

Revalued Properties	***(in thousand)***
(1) **Montigo Resorts, Nongsa**	
Net book value as at 30 September 2013 (S$'000) [(1)]	37,623
Market value 'as is' (S$'000)	67,745
(a) Revaluation surplus (S$'000) [(2)]	**30,122**
(2) **Montigo Resorts, Seminyak**	
Net book value as at 30 September 2013 (S$'000) [(1)]	26,925
Market value 'as is' (US$'000)	25,395
Market value 'as is' (S$'000) [(3)]	32,130
(b) Revaluation surplus (S$'000) [(2)]	**5,204**
(3) **Cranley Hotel**	
Net book value as at 30 September 2013 (S$'000) [(1)]	18,336
Market value 'as is' (GBP' 000)	14,200
Market value 'as is' (S$'000) [(4)]	29,888
(c) Revaluation surplus (S$'000) [(2)]	**11,552**
Total revaluation surplus from the Revalued Properties (a)+(b)+(c)	**46,879**

Notes:

(1) The figures are provided by the Target Management.
(2) Assuming that there is no deferred tax liability on the Revalued Properties.
(3) The value has been converted based on the exchange rate S$1.2652 : US$1.0 as at the Latest Practicable Date.
(4) The value has been converted based on the exchange rate S$2.1048 :£1.0 as at the Latest Practicable Date.

In addition, we note from the Letter from the Directors of KOP Properties Pte. Ltd. in the Circular that the Target Company holds approximately S$3.3 million of a S$8.4 million par value Junior Notes issued by Royce Properties (which is the developer and owner of the Ritz Carlton Residences located at 65 Cairnhill Road). In relation to the Junior Notes issued by Royce Properties, the Target Directors and Target Management represented the following to us:

(i) Pursuant to the subscription agreement dated 5 June 2013 (the "**Subscription Agreement**"), unless previously redeemed and cancelled, Royce Properties shall redeem each Junior Note for the time being issued and outstanding in a whole, but not in part at its principal amount, together with any accrued but unpaid interest (including arrears of interest) on 6 June 2023.

However, Royce Properties may by giving at least seven business days' prior notice in writing to the noteholders, redeem, without premium or penalty, all part of the Junior Notes at their principal amount, together with any accrued but unpaid interest (including arrears of interest), on any date to be specified in such notice if either of the following events occur: (a) the loan indebtedness of Royce Properties has been fully satisfied, discharged and/or waived; or (b) all the remaining unsold units of the Ritz-Carlton Residences are sold by Royce Properties. As at the Latest Practicable Date, the unsold units of the Ritz-Carlton Residences are 32 (out of total 58 units) and the market value of the remaining unsold 34 units as at 31 October 2013 as provided by Cushman & Wakefield is approximately S$384.6 million (or approximately S$363.3 million for the remaining unsold 32 units). .

(ii) As set out in the Subscription Agreement, the Junior Notes bear interest on their principal amount at the rate of 10% per annum, payable annually in arrear on 6 June in each year (the "**Interest Payment Date**").

(iii) Pursuant to the Subscription Agreement, if, on any Interest Payment Date, after paying the fixed interest due on that Interest Payment Date and all outstanding arrears of interest (if any), there shall be any remaining distributable profits in respect of the financial year preceding that Interest Payment Date ("**Remaining Profits**"), Royce Properties shall pay an additional interest to each Noteholder (or its transferee) (the "**Special Interest**") based on the attributable share of each Noteholder.

(iv) In the event that Royce Properties is able to achieve an earned net income in excess of the hurdle rate of approximately S$84.0 million for the Ritz-Carlton Residences (the "**Excess Income**"), the Target Company shall be entitled to an incentive fee of 25% of the excess Income (the "**Incentive Fee**") which will be receivable upon redemption of the Junior Notes.

We note from the Independent Valuation Summary Letter that in relation to the Junior Notes, the Independent Valuer has ascribed fair value of approximately S$13.1 – 13.6 million for the interest and principal receivable, approximately S$43.9 – 45.6 million for the Special Interest and approximately S$26.3 – S$27.4 million for the Incentive Fee. Shareholders are advised to read the Independent Valuation Report carefully, including *inter alia*, the key assumptions and methodology.

The Target Management represented that the corresponding net book value in relation to the Junior Notes is approximately S$15.5 million as at 30 September 2013, hence the revaluation surplus related to the Junior Notes is approximately S$67.8 million (based on the low range of the fair value for the interest and principal receivable, the Special Interest and the Incentive Fee of approximately S$83.3 million in aggregate).

Based on the revaluation surplus arising from the Revalued Properties and the Junior Notes, we set out below the computation for the revalued NAV and NTA for the Target Group.

Target Group's Revalued NAV and NTA	**S$'000**
Target Group's NAV as at 30 September 2013	**30,347**
Add: Revaluation surplus from the Revalued Properties	46,879
Add: Revaluation surplus from the Junior Notes	67,777
Target Group's Revalued NAV	**145,003**
Target Group's NTA as at 30 September 2013	**30,346**
Add: Revaluation surplus from the Revalued Properties	46,879
Add: Revaluation surplus from the Junior Notes	67,777
Target Group's Revalued NTA	**145,002**
Consideration	**150,000**
Premium of Consideration over Target Group's Revalued NAV	**3.4%**
Premium of Consideration over Target Group's Revalued NTA	**3.4%**

For illustrative purposes only, we note that the Consideration represents a premium of approximately 3.4% over both the Target Group's Revalued NAV and the Target Group's Revalued NTA.

The Target Directors have confirmed that to their best knowledge and belief, as at the Latest Practicable Date, other than the revaluation surplus arising in respect of the Revalued Properties and the Junior Notes, there are no material differences between the realisable value of the Target Group's assets and their respective book values as at 30 September 2013 which would have a material impact on the Target Group's Revalued NAV and NTA.

We wish to highlight that the Target Group's Revalued NAV and the Target Group's Revalued NTA shown above include the revaluation surplus arising from the Revalued Properties and the Junior Notes. Shareholders should note that the Target Group has not realized the surplus on such assets as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus eventually recorded by the Target Group on the Revalued Properties (in the event the leasehold building is disposed) and the Junior Notes will be the same as indicated above.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Target Group is as stated above. It also does not imply that the assets or properties of the Target Group can be disposed of at the estimated value indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated for the respective types of NTA and is realisable.

It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Target Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Target Group as a going concern nor can it capture or illustrate any value for the Target Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

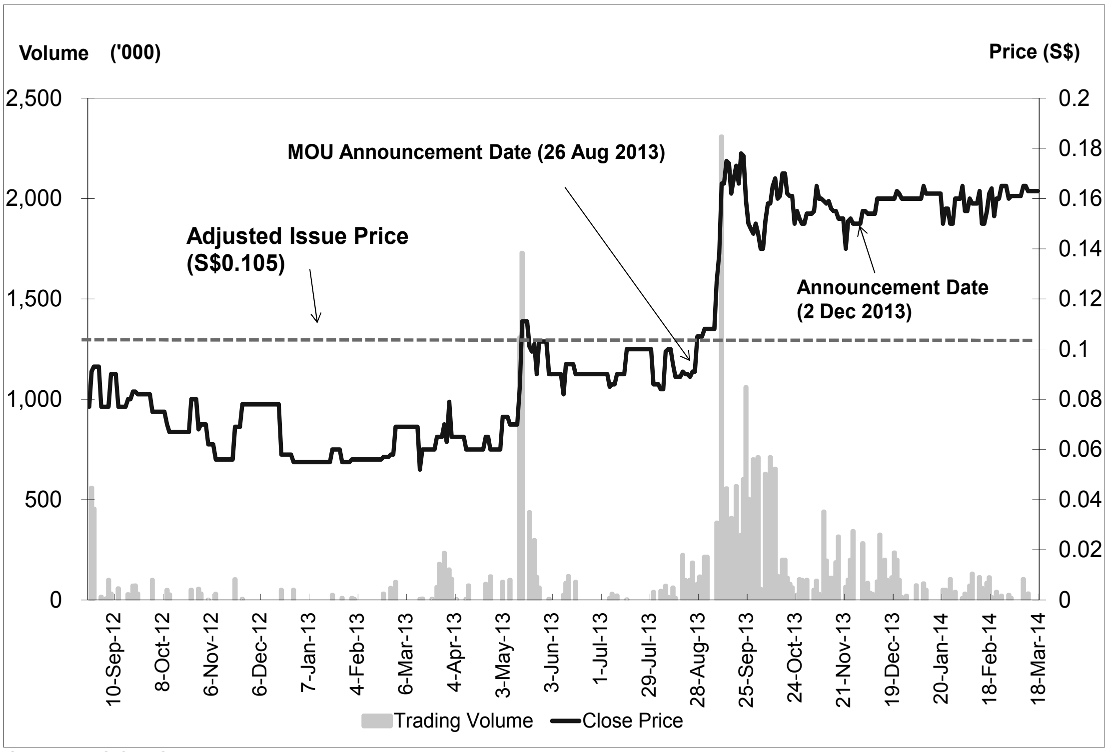
Lastly, we note that from Section 2.2 of the Circular, that the Company has commissioned the Independent Valuer to provide an independent, indicative fair market value range of the Target Group. As set out in the appendix titled "Appendix G - Independent valuation summary letter" to the Independent Valuation Report, the "*fair market value of 100% equity interests in the issued and paid-up share capital of KOPP, assessed on a proforma basis, is in the range of S$166.5* *million to S$178.2 million*" as at 30 September 2013. Independent Shareholders should note that while the Independent Valuer has adopted a sum-of-parts valuation methodology involving *inter-alia* cost approach and income approach (with the discounted cash flow method), the computation of the Revalued NAV and NTA of the Group outlined above is based on the revaluation surpluses of the Revalued Properties (based on its existing conditions) as well as the revaluation surplus relating to the Junior Notes (based the fair value value as ascribed by the Independent Valuer for the interest and principal receivable, the Special Interest and the Incentive Fee). The Revalued NAV or NTA does not account for the future value of the Montigo Resort, Seminyak and the Montigo Resort, Nongsa upon completion of the assets enhancement works nor does it account for the future income to be generated by the Target Company or its subsidiaries or the contracts entered into or to be entered into by the Target Group.

Our scope does not require us and we have not made any independent evaluation of the Target Group (including without limitation, market value or economic potential) or appraisal of the Target Group's assets and liabilities (including without limitation, property, plant and equipment, and development properties, where applicable) or contracts entered into or to be entered by the Target Group. In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Target Company or the Target Group or the Enlarged Company.

We recommend that the Independent Directors advise the Independent Shareholders that they should note and review the contents of the Independent Valuation Summary Letter (attached as Appendix A to the Circular) in its entirety including the assumptions made and the basis for the assumptions.

5.4 Market quotation and trading activity for the Shares

The historical price chart (based on the closing prices together with the number of Shares traded on a daily basis) for the Shares during the period commencing from 27 August 2012 (being the Market Day 12 months prior to the MOU Announcement Date) and ending on the Latest Practicable Date is set out below:-



Source: *SGX-ST*

For the period commencing from 27 August 2012 and ending on 26 August 2013, being the MOU Announcement Date (both dates inclusive), we note that the Shares were being traded on 72 Market Days out of 250 Market Days. The closing prices of the Shares were above the Adjusted Issue Price for 3 Market Days and below the Adjusted Issue Price for 247 Market Days. We observed that the Share price closed at S$0.105 (or an increase of approximately 15.4%) on 28 August 2013, being the Trading Day immediately after the MOU Announcement Date as compared to closing price of S$0.091 for the Shares on MOU Announcement Date. For the period commencing from 27 August 2013 till 18 March 2014 (being the Latest Practicable Date), the closing price for the Shares have generally always been equal or higher than the Adjusted Issue Price and the Share price closed at S$0.163 on the Latest Practicable Date.

As a general market comparison and observation, the FTSE Straits Times Catalist Index ("**FTSE ST Catalist**") increased by approximately 25.1% for the period commencing from 27 August 2012 and ending on 26 August 2013, being the MOU Announcement Date, and subsequently declined by approximately 8.5% from 27 August 2013 to the Latest Practicable Date. For the same period commencing from 27 August 2012 and ending on 26 August 2013, being the MOU Announcement Date, the price for the Shares increased by approximately 18.2% and subsequently increased by approximately 79.1% from 27 August 2013 till the Latest Practicable Date. We observed that the Shares have outperformed the FTSE ST Catalist for the period commencing from the MOU Announcement Date till the Latest Practicable Date.

We also note that from the MOU Announcement Date till the Announcement Date, the FTSE ST Catalist declined by 6.5%, while for the same period, the price for the Shares increased by approximately 64.8%. During the period commencing from MOU Announcement Date till the Announcement Date, the Shares have outperformed the FTSE ST Catalist.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices of the Shares.

The volume-weighted closing price ("**VWCP**") of the Shares, the highest and lowest transacted prices for the Shares and the average number of Shares traded on a daily basis from 27 August 2012 to the Latest Practicable Date is set out below:-

	VWCP[(1)] (S$)	**Premium/ (Discount) of the Adjusted Issue Price over/ from VWCP (%)**	**Lowest transacted price (S$)**	**Highest transacted price (S$)**	**Average daily trading volume[(2)] (Shares)**	**Average daily trading volume as % of free-float[(3)] (%)**
For the period prior to the MOU Announcement Date						
Last 12 months	0.089	17.8%	0.052	0.120	35,032	0.05%
Last 6 months	0.092	14.5%	0.052	0.120	53,565	0.08%
Last 3 months	0.092	14.6%	0.082	0.103	20,266	0.03%
Last 1 month	0.091	15.3%	0.084	0.100	44,737	0.06%
Last transacted price on 26 August 2013 (being the MOU Announcement Date) [(4)]	0.091	15.4%	0.091	0.092	185,000	0.27%
Last transacted price on 27 November 2013 (being the Trading Day immediately preceding the Announcement Date) [(5)]	0.150	(30.0)%	0.150	0.152	342,000	0.49%
For the period after the MOU Announcement Date up to the Latest Practicable Date						
Till the Latest Practicable Date	0.158	(33.6)%	0.105	0.200	135,430	0.20%
The last Trading Day immediately preceding the Latest Practicable Date[(6)]	0.163	(35.6)%	0.158	0.163	32,000	0.05%

Notes:

(1) The VWCP had been weighted based on the last transacted prices of the Shares and traded volume for the relevant trading days for each of the periods.

(2) The average daily trading volume of the Shares is calculated based on the total volume of Shares traded during the period divided by the number of market days during that period.

(3) Free float refers to approximately 69,190,379 Shares (or approximately 37.57% of the issued Share capital) held by Shareholders, other than the Substantial Shareholders and Directors as at the Latest Practicable Date and as enumerated in the Circular.

(4) This represents the last transacted price instead of VWCP on 26 August 2013.

(5) This represents the last transacted price instead of VWCP for the Shares on 27 November 2013, being the last Trading Day prior to the Announcement Date.

(6) This represents the last transacted price instead of VWCP and trading volume for the Shares on 12 March 2014, being the last Trading Day immediately preceding the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

Based on a general observation of the table above and after taking into consideration the summary of the transacted Share prices, we note that the Adjusted Issue Price is:-

(i) at a premium of 15.4% to the last transacted price of S$0.091 for each Share on the Catalist on 26 August 2013, being the MOU Announcement Date;

(ii) at a premium of approximately 17.8%, 14.5%, 14.6% and 15.3% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1 month prior to the MOU Announcement Date respectively;

(iii) at a discount of approximately 30.0% to the last transacted price of S$0.15 for each Share on the Catalist on 27 November 2013, being the Trading Day immediately preceding the Announcement Date;

(iv) at a discount of approximately 33.6% from the VWCP for the Shares for the period commencing from the Market Day immediately after the MOU Announcement Date and ending on the Latest Practicable Date; and

(v) at a discount of approximately 35.6% from the last transacted price of S$0.163 for each Share on the Catalist on 12 March 2014, being last Trading Day immediately preceding the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

For illustrative purposes only, based on the number of Shares traded on a daily basis during the period commencing from 27 August 2012 and ending on the Latest Practicable Date, we note that:-

(i) From the 27 August 2012 to 26 August 2013, being the MOU Announcement Date (both dates inclusive), Shares were traded on 72 days out of the total 250 Market Days during the period. The total number of Shares traded during this period was approximately 8.8 million Shares and the average number of Shares traded on a daily basis is approximately 35.0 thousand Shares (based on the total number of Market Days), which represents approximately 0.019% of total number of Shares issued as at the Latest Practicable Date. The average daily trading volume of approximately 35.0 thousand Shares represents approximately 0.05% of the issued Share capital, held by Shareholders other than the Substantial Shareholders and Directors as at the Latest Practicable Date;

(ii) For the period after MOU Announcement Date till the Latest Practicable Date, the Shares were traded on 92 Trading Days out of the total 142 Market Days during the period. The total number of Shares traded during this period was approximately 19.2 million Shares and the average number of Shares traded on a daily basis is approximately 135.4 thousand Shares (based on the total number of Market Days), which represents approximately 0.07% of total number of Shares issued as at the Latest Practicable Date. The average daily trading volume of approximately 135.4 thousand Shares, represents approximately 0.20% of the issued Share capital, held by Shareholders other than the Substantial Shareholders and Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the daily average number of Shares traded during the 12 months period analysed prior to the MOU Announcement Date was only 0.05% of the number of Shares held by Shareholders other than Substantial Shareholders and Directors as at the Latest Practicable Date. It appears that prior to the MOU Announcement Date, the trading volume for the Shares was generally very low. It is generally accepted that the more actively traded the Shares, the greater reliance on market prices as a determination of the fair value between willing buyer and willing seller.

We also note that the number of Shares which are traded on a daily basis after the MOU Announcement Date till the Latest Practicable Date is significantly higher as compared to the number of Shares which are traded on a daily basis during the period starting from 27 August 2012 and ending on the MOU Announcement Date. However, the daily average volume of approximately 135.4 thousand Shares is still only 0.20% of the number of Shares held by Shareholders other than Substantial Shareholders and Directors as at the Latest Practicable Date. We also note that for the period commencing from 27 August 2013 (being the Market Day immediately after the MOU Announcement Date) to the Latest Practicable Date, the last transacted prices for the Shares were generally higher than the Adjusted Issue Price. In addition, we observed that the Share price has increased by 79.1% from 26 August 2013 to close at S$0.163 on the Latest Practicable Date. As mentioned earlier, the prices for the Shares had, from the MOU Announcement Date till the Latest Practicable Date, outperformed the FTSE ST Catalist for the said period. The relatively greater performance of the Shares as compared to the FTSE ST Catalist and the higher average daily trading volume subsequent to the MOU Announcement Date may, *inter alia*, have been supported by the Proposed Acquisition.

Independent Shareholders should note that there is no assurance whether the Share prices and the average Shares traded on a daily basis will be maintained or that the transacted prices for the Shares after Completion (or if the Proposed Acquisition lapses) will be at the same levels prevailing during the period commencing from the MOU Announcement Date and ending on the Latest Practicable Date.

Independent Directors should note that the past trading performance for the Shares may not be relied upon as an indication or promise of its future trading performance.

5.5 Market value of the Target Group

We understand from Section 2.2 of the Circular, that pursuant to Rule 1015(3) of the Catalist Rules, a competent and independent valuer has to be appointed to value the incoming business. The Company has commissioned the Independent Valuer to provide an independent, indicative fair market value range of the Target Group. The Independent Valuation Summary Letter is annexed in Appendix A of the Circular.

Based on the Independent Valuation Summary Letter, the fair market value of 100% equity interests in the issued and paid-up share capital of the Target Company, assessed on a proforma basis, as at 30 September 2013 is in the range of S$166.5 million to S$178.2 million. We wish to highlight that the fair market value of approximately between S$166.5 million to S$178.2 million is higher than the Target Group's value based on the Consideration.

The Directors, Target Directors and Target Management have represented that they had reviewed the Independent Valuation Report to understand the assumptions, methodology used and the information relied upon by the Valuer in arriving at the market value of the Target Group. The Directors have reviewed the information made available to them as a whole and are of the opinion that the assumptions and methodology as well as information provided to and relied upon by the Valuer for the Independent Valuation Report are reasonable and nothing has come to their attention which may render the information provided to be false or misleading in any material respect.

We recommend that the Independent Directors advise the Independent Shareholders that they should note and review the contents of the Independent Valuation Summary Letter (attached as Appendix A to the Circular) in its entirety including the assumptions made and the basis for the assumptions.

5.6 Relative valuation analysis

In evaluating the Proposed Whitewash Resolution, the Consideration for the Proposed Acquisition and the Issue Price, we have considered the financial performance, financial positions and valuation statistics of selected companies that may, in our view, be broadly comparable to the core business of the Scorpio Group, which is in distribution of video programmes for home entertainment industry and content production, and events and concerts (the "**Scorpio's Selected Comparable Companies**") and the core businesses of the Target Group, which are in the hospitality business including development, investment and provision of management services within the hospitality business industry (the "**Target's Selected Comparable Companies**").

The Scorpio's Selected Comparable Companies and the Target's Selected Comparable Companies have been identified after a search was carried out on various exchanges and evaluation of the companies operating in the same industry as the Group and the Target Group. We have had discussions with the Directors and Management about the suitability and reasonableness of these Scorpio's Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group prior to the transaction. We have also had discussion with the Target Directors and Target Management about the suitability and reasonableness of the Target's Selected Comparable Companies prior to the transactions. Relevant information has been extracted from the annual reports and/or public announcements of the Scorpio's Selected Comparable Companies and the Target's Selected Comparable Companies. The Scorpio's Selected Comparable Companies and the Target's Selected Comparable Companies may or may not have similar business operations or similar assets as the Group and/or the Target Group, accounting policies with respect to the values for which the assets or the revenue and cost are recorded or the relevant financial period compared may differ from the Group and the Target Group. The Independent Directors should also note that the Target Group is privately held as at the Latest Practicable Date, while all the Target's Selected Comparable Companies are listed companies. It is generally accepted that the value for quoted shares are generally higher than those for unquoted shares in the view of the listed status, improved liquidity, disclosure, corporate governance requirements as well as rules of the relevant exchange that has to be complied with for listing.

We advise Independent Shareholders to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group and/or the Target Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Scorpio's Selected Comparable Companies and the Target's Selected Comparable Companies as the business of these companies, their capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group and/or the Target Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group and the Target Group as at the Latest Practicable Date.

Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter-alia,* include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

5.6.1 Relative valuation of the Group

Scorpio's Selected Comparable Companies	**Market capitalisation (S$ million)**	**Principal activities**
Media Asia Group Holdings Ltd ("**Media Asia**") *Listed on the Hong Kong Stock Exchange*	96.5	The group operates in three segments: (a) media and entertainment segment, which engages in investment and production of entertainment events, provision of artiste management services, album sales, distribution and license of music and investment, production and distribution of television (TV) programs; (b) film production and distribution segment, which engages in investment, production, sale and distribution of films and video format products; (c) the licensing of software business segment, which engages in development and licensing of software in the People's Republic of China (PRC).
Mei Ah Entertainment Group Limited ("**Mei Ah**") *Listed on the Hong Kong Stock Exchange*	119.3	The group operates in six segments: television operations segment, film exhibition and film rights licensing and sublicensing segment, sales and distribution of films and programs in audio visual product format segment, artiste management segment, theatre operations segment and property investment segment.
Orange Sky Golden Harvest Entertainment (Holdings) Limited ("**Orange Sky**") *Listed on the Hong Kong Stock Exchange*	301.3	The group is engaged in the worldwide film and video distribution, film exhibition in Hong Kong, Mainland China, Taiwan and Singapore, films and television programs production, provision of advertising and consulting services in Mainland China.

Source: *Bloomberg*

The following tabulates the salient ratios for comparative financial performance and position for the Scorpio's Selected Comparable Companies and the Group:-

Scorpio's Selected Comparable Companies	FYE	ROE[(1)] (%)	Net profit margin[(2)] (%)	Asset turnover [(3)] (times)	Total liabilities [(4)] / shareholder equity [(5)] (times)	Total borrowings[(6)]/ shareholder equity[(5)] (times)
Media Asia	31-Jul-13	Negative[(7)]	Negative[(7)]	0.4	1.6	1.2
Mei Ah	31-Mar-13	Negative[(8)]	Negative[(8)]	0.8	0.2	0.02
Orange Sky	31-Dec-12	5.9%	6.0%	0.5	0.8	0.4
Maximum		**5.9%**	**6.0%**	**0.8**	**1.6**	**1.2**
Minimum		**5.9%**	**6.0%**	**0.4**	**0.2**	**0.0**
Median		**5.9%**	**6.0%**	**0.5**	**0.8**	**0.4**
Simple average		**5.9%**	**6.0%**	**0.6**	**0.9**	**0.5**
Scorpio Group	**30-Apr-13**	**Negative[(9)]**	**Negative[(9)]**	**0.2**	**1.9**	**1.3**

Source: *The latest annual reports or announced unaudited full year financial statements of respective companies. The ratios for Orange Sky, Mei Ah and Media Asia are based on the respective audited financial statements for the financial year ended on 31 December 2012, 31 March 2013, and 31 July 2013. For the Scorpio Group, the ratios are computed based on the audited financial statements for the financial year ended 30 April 2013.*

Notes:

*(1) The return on equity ("**ROE**") is based on the ratio of the consolidated net profits after tax attributable to the shareholders to the consolidated shareholders equity excluding minority interest of the respective companies.*

(2) Net profit margin is the ratio of the consolidated net profits after tax attributable to shareholders to the total consolidated revenue of the respective companies.

(3) Asset turnover is the ratio of the total consolidated revenue to the total consolidated assets of the respective companies.

(4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities.

(5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies as at the respective financial year end of the Selected Companies, the Group and the Target Group.

(6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts.

(7) Media Asia incurred a loss after tax attributable to the equity holders of approximately HK$98.9 million for the financial year ended 31 July 2013. Hence Media Asia's ROE and net profit margin ratios are negative and not meaningful.

(8) Mei Ah incurred a loss after tax attributable to the equity holders of approximately HK$48.7 million for the financial year ended 31 March 2013. Hence Mei Ah's ROE and net profit margin ratios are negative and not meaningful.

(9) The Scorpio Group incurred a loss after tax attributable to the equity holders of approximately S$1.2 million for FY2013. Hence the Scorpio Group's ROE and net profit margin ratios are negative and not meaningful.

Relative Performance of the Scorpio Group

For illustrative purposes only, we note the following:-

(i) The Scorpio Group incurred a loss after tax attributable to the equity holders of approximately S$1.2 million for FY2013. Hence, the Scorpio Group's ROE and net profit margin ratios are negative. In comparison, 2 out of 3 of the Scorpio's Selected Comparable Companies were also not profitable for the period reviewed. Only Orange Sky was profitable for the latest full financial year under review with a ROE of approximately 5.9% and profit margin of approximately 6.0%. We wish to highlight that the Scorpio Group's negative ROE of approximately 11.0% and negative net profit margin of approximately 19.6% are lower than

Media Asia's negative ROE of approximately 22.5% and negative profit margin of approximately 22.4%, but higher and less favourable than Mei Ah's negative ROE of approximately 8.6% and negative profit margin of approximately 8.8%.

(ii) The Scorpio Group's asset turnover is lower and less favourable than any of the Scorpio's Selected Comparable Companies.

(iii) The Scorpio Group's financial position as reflected by both total liabilities to shareholders equity ratio and total borrowings to shareholders equity are higher and less favourable than any of the Scorpio's Selected Comparable Companies.

In summary, the historical financial performance of the Scorpio Group as reflected by its ROE and net profit margin appear to be weaker than Orange Sky and Mei Ah as it incurred a loss after tax attributable to the equity holders of approximately S$1.2 million for FY2013. The Scorpio Group has been in the loss making position since FY2010. In addition, the Scorpio Group's asset turnover ratio is less favourable than any of the Scorpio's Selected Comparable Companies. Lastly, the Scorpio Group's financial position in terms of the ratio of total borrowings to shareholders' equity and total liabilities to shareholders' equity are also less favourable than any of the Scorpio's Selected Comparable Companies.

The following valuation statistics for the Scorpio's Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while the valuation of the Scorpio Group is based on the Adjusted Issue Price, the last transacted price for the Shares as at the MOU Announcement Date and the last transacted price for the Shares as at the Latest Practicable Date. All the valuation statistics are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Scorpio's Selected Comparable Companies and the Scorpio Group should be evaluated in the context of their relative financial performance:-

Scorpio's Selected Comparable Companies	**Market Capitalisation (S$' million)**	**EV/ EBITDA (times)**	**PER[(1)] (times)**	**P/NAV[(2)] (times)**	**P/NTA[(3)] (times)**	**Premium/ (discount) over/ from NTA (%)**
Media Asia	96.5	9.3	Negative[(5)]	1.3	1.7	66.0%
Mei Ah	119.3	5.3	Negative[(6)]	1.3	1.4	39.1%
Orange Sky	301.3	7.5	19.3	1.1	1.3	30.3%
Maximum	**301.3**	**9.3**	**19.3**	**1.3**	**1.7**	**66.0%**
Minimum	**96.5**	**5.3**	**19.3**	**1.1**	**1.3**	**30.3%**
Median	**119.3**	**7.5**	**19.3**	**1.3**	**1.4**	**39.1%**
Simple average	**172.3**	**7.4**	**19.3**	**1.3**	**1.5**	**45.1%**
The Scorpio Group [(4)]						
Adjusted Issue Price	**19.3**	**12.2**	**Negative[(7)]**	**1.1**	**1.1**	**12.1%**
MOU Announcement Date	**16.8**	**11.1**	**Negative[(7)]**	**0.9**	**1.0**	**(2.9)%**
As at the Latest Practicable Date	**30.0**	**16.8**	**Negative[(7)]**	**1.7**	**1.7**	**74.0%**

Notes:

(1) The PERs for the Scorpio's Selected Comparable Companies are based on the earnings per share as reflected in their latest announced unaudited full year financial statements or audited financial statements from their annual reports as at the respective financial year end.

(2) The P/NTA ratios for the Scorpio's Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

(3) The P/NAV ratios for the Scorpio's Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

(4) For the Scorpio Group, the computations for PER, EV/EBITDA, P/NTA and P/NAV ratios are based on the market capitalization based on the Adjusted Issue Price, the last transacted price for the Shares as at the MOU Announcement Date, and the last transacted price for the Shares as at the Latest Practicable Date, the Revalued NAV and the Revalued NTA. Please refer to Section 5.3 of this Letter for the computation of the Revalued NAV and the Revalued NTA.

(5) Media Asia reported a loss after tax attributable to the equity holders of approximately HK$98.9 million for the financial year ended 31 July 2013, hence Media Asia's PER ratio is negative and not meaningful.

(6) Mei Ah reported a loss after tax attributable to the equity holders of approximately HK$48.7 million for the financial year ended 31 March 2013, hence Mei Ah's PER ratio is negative and not meaningful.

(7) In FY2013, the Scorpio Group reported a loss after tax attributable to the equity holders of approximately S$1.2 million, hence the Group's PER ratio is negative and not meaningful.

Relative valuation for Scorpio Group

For illustrative purpose only, we note the following: -

(i) The market capitalisation of the Scorpio Group as implied by the last transacted price for the Shares as at the MOU Announcement Date, the last transacted price for the Shares as at the Latest Practicable Date, and the Adjusted Issue Price are lower than any of the Scorpio's Selected Comparable Companies. We note that the trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisations. Hence, comparison of the valuation ratios for the Scorpio Group and the Scorpio's Selected Comparable Companies are necessarily limited and presented herein for illustrative purpose only.

(ii) In FY2013, the Scorpio Group reported a loss after tax attributable to the equity holders of approximately S$1.2 million, hence the Scorpio Group's PER ratio is negative and not meaningful. 2 out of 3 of the Scorpio's Selected Comparable Companies were also loss making and only Orange Sky was profitable for the latest full financial year under review. For comparison purpose only, Orange Sky was traded at 19.3 times PER as at the Latest Practicable Date.

(iii) The valuation of the Scorpio Group in terms of EV/EBITDA ratio as implied by the Adjusted Issue Price, the last transacted price for the Shares as at the MOU Announcement Date and the last transacted price for the Shares as at the Latest Practicable Date are higher than any of the Scorpio's Selected Comparable Companies.

(iv) The valuation of the Scorpio Group in terms of P/NAV and P/NTA as implied by the Adjusted Issue Price, the last transacted price for the Shares as at the MOU Announcement Date, the Revalued NAV and the Revalued NTA, are lower than the simple average and median for the Scorpio's Selected Comparable Companies. Meanwhile, the valuation of the Scorpio Group in terms of P/NAV and P/NTA as implied by the last transacted price for the Shares as at the Latest Practicable Date, the Revalued NAV and the Revalued NTA, are higher than any of the Scorpio's Selected Comparable Companies (save for Media Asia for P/NTA).

In summary, the valuation of the Scorpio Group in terms of EV/EBITDA (as implied by the Adjusted Issue Price) is more favourable than any of the Scorpio's Selected Comparable Companies. However, the valuation of the Scorpio Group in terms of P/NAV and P/NTA (as implied by the Adjusted Issue Price, the Revalued NAV and the Revalued NTA) is lower than the simple average and median for the Scorpio's Selected Comparable Companies. Independent Shareholders should note that the lower valuation of the Scorpio Group in terms of P/NAV and P/NTA described above should be assessed in conjunction with the fact that the Scorpio Group's relatively weaker financial performance (in terms of ROE, net profit margin and the fact that the Scorpio Group has been in the loss making position with the significant dwindling in its core activities since FY2010) and financial position (in terms of gearing and leverage) as compared to the Scorpio's Selected Comparable Companies. In addition, we note that the book value of the leasehold building amounted to approximately S$18.9 million as at 31 October 2013 and accounted for approximately 65% of the Scorpio Group's total assets. Hence, taking into account the Scorpio Group's asset composition (comprises largely the leasehold building), its valuation in terms of P/NAV and P/NTA (as implied by the Adjusted Issue Price, the Revalued NAV and the Revalued NTA) of approximately 1.1 times appears to be reasonable.

5.6.2 Relative valuation of the Target Group

Target Selected Companies	**Market capitalisation (S$ million)**	**Principal activities**
Banyan Tree Holdings Limited ("**Banyan Tree**") *Listed on the SGX-ST*	493.7	The group is engaged in, *inter alia,* hotel and restaurant operations, sales of hotel residences/property sales, management of hotels and resorts/ asset-backed destination club/ private-equity funds/ spas and golf courses.
Hotel Grand Central Ltd ("**Grand Central**") *Listed on the SGX-ST*	683.2	The group is engaged in owning, operating and managing hotels (Singapore, Malaysia, Australia, New Zealand and China).
Amara Holdings Ltd ("**Amara**") *Listed on the SGX-ST*	305.8	The group is principally engaged in three segments: hotel investment and management, property investment and development, and specialty restaurants and food services.
PT Bukit Uluwatu Villa Tbk ("**Uluwatu Villa**") *Listed on the SGX-ST*	206.5	The group is an Indonesian-based company which is engaged in the hotel and resort development industry. It is the owner of Alila Ubud Hotel which is located in Desa Melinggih Kelod Payangan, Ubud, Gianyar, Bali and Alila Villas Uluwatu which is located in Pecatu, Bali.

Source: *Bloomberg*

The following tabulates the salient ratios for comparative financial performance and position for the Target's Selected Comparable Companies and the Target Group:-

Target's Selected Comparable Companies	FYE	ROE(1) (%)	Net profit margin(2) (%)	Asset turnover (3) (times)	Total liabilities (4) / shareholder equity (5) (times)	Total borrowings(6)/ shareholder equity(5) (times)
Banyan Tree	31-Dec-13	3.3%	5.1%	0.3	1.3	0.8
Grand Central	31-Dec-13	1.7%	9.8%	0.1	0.3	0.2
Amara	31-Dec-13	8.9%	33.8%	0.1	0.9	0.7
Uluwatu Villa	31-Dec-12	8.2%	24.7%	0.2	0.7	0.6
Maximum		**8.9%**	**33.8%**	**0.3**	**1.3**	**0.8**
Minimum		**1.7%**	**5.1%**	**0.1**	**0.3**	**0.2**
Median		**5.8%**	**17.3%**	**0.2**	**0.8**	**0.7**
Simple average		**5.5%**	**18.4%**	**0.2**	**0.8**	**0.6**
Target Group FY2013	**31-Mar-13**	**5.1%**	**3.4%**	**0.3**	**3.8**	**1.8**
Target Group HY2014 (annualised)(7)	**30-Sep-13**	**0.8%**	**1.0%**	**0.2**	**3.5**	**1.6**

Source: *The latest annual reports or announced unaudited full year financial statements of respective companies. The ratios for Banyan Tree, Hotel Royal, Grand Central, and Amara are based on the unaudited financial statements for the financial year ended on 31 December 2013. For Uluwatu Villa is based on the audited financial statements for the financial year ended on 31 December 2012. For Target Group, the ratios are computed based on the audited financial statements for TFY2013 and unaudited financial statements for THY2014.*

Notes:

*(1) The return on equity ("**ROE**") is based on the ratio of the consolidated net profits after tax attributable to the shareholders to the consolidated shareholders equity excluding minority interest of the respective companies.*

(2) Net profit margin is the ratio of the consolidated net profits after tax attributable to shareholders to the total consolidated revenue of the respective companies.

(3) Asset turnover is the ratio of the total consolidated revenue to the total consolidated assets of the respective companies.

(4) Total liabilities include all the liabilities of the respective companies but exclude any contingent liabilities.

(5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies as at the respective financial year end.

(6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts.

(7) For meaningful comparison, profit and loss items for THY2014 have been annualised.

Relative Performance of the Target Group

For illustrative purposes only, we note the following:-

Based on the audited financial statements for TFY2013:

The Target Group's ROE is within the range, but slightly lower than the average and the median of the Target's Selected Comparable Companies. In terms of net profit margin, the Target Group's net profit margin is lower than any of the Target's Selected Comparable Companies. However, the Target Group's asset turnover ratio is within the range, higher than the median and simple average,for the Target's Selected Comparable Companies.

The Target Group's financial positions in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity appear to be higher than any of the Target's Selected Comparable Companies.

Based on the unaudited financial statements for THY2014:

The Target Group's ROE and profit margin ratios (based on the annualised earnings for THY2014) are lower and less favourable than any of the Target's Selected Comparable Companies. Meanwhile, in terms of asset turnover ratio, the Target Group's ratio is within the range and in line with the simple average for the Target's Selected Comparable Companies.

The Target Group's financial positions in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity appear to be higher than any of the Target's Selected Comparable Companies. As set out in Section 5.2.3 of this Letter, we understand from the Target Directors and Target Managements that KOPG has undertaken, *inter alia,* that it will not demand for the repayment for both the amount due to KOPG (approximately S$18.9 million as at 30 September 2013) and its related corporations (approximately S$4.9 million as at 30 September 2013) until the Target Group has the ability to repay its external loans. In the event that these amounts are excluded, the Target Group's total liabilities to shareholders' equity would be approximately 2.8 times, which is still higher than any of the Target's Selected Comparable Companies.

In summary, based on the figures for TFY2013, the historical financial performance of the Target Group as reflected by its ROE and asset turnover ratios appear to be relatively in line with the Target's Selected Comparable Companies, however, in terms of the net profit margin for the Group is lower than any of the Target's Selected Comparable Companies. In addition, based on the figures for THY2014, the Target Group's financial performance in terms of ROE and net profit margin are less favourable than any of the Target's Selected Comparable Companies. The Target Group's financial positions in terms of the ratio of total borrowings to shareholders' equity for TFY2013 and THY2014 are higher and less favourable than any of the Target's Selected Comparable Companies.

Independent Shareholders should note that the Target Group's hospitality business only commenced in TFY2013 and as at the Latest Practicable Date, it is still in the midst of undertaking assets enhancement works for Montigo Resorts, Seminyak (expected to be completed in 2016) and construction of phase 3 for Montigo Resorts, Nongsa (expected to be completed in 2016). We understand from the Target Management that such assets enhancement work and construction works are capital intensive in nature and therefore, the Target Group's gearing profile and historical performance may be different from the Target's Selected Comparable Companies whose hospitality business and assets have generally already been established and in operation.

The following table tabulates the comparative valuation statistics for the Target's Selected Comparable Companies and the Target Group should be evaluated in the context of their relative financial performance:-

Target Group's Selected Comparable Companies	Market Capitalisation (S$' million)	EV/ EBITDA (times)	PER[1] (times)	P/NAV[2] (times)	P/NTA[3] (times)	Premium/ (discount) over/from NTA (%)
Banyan Tree	493.7	12.4	27.2	0.9	0.9	(5.1)%
Grand Central	683.2	18.0	47.2	0.8	0.8	(19.9)%
Amara	305.8	13.9	11.2	1.0	1.0	(0.1)%
Uluwatu Villa	206.5	19.9	33.2	2.7	2.7	172.3%
Maximum	**683.2**	**19.9**	**47.2**	**2.7**	**2.7**	**172.3%**
Minimum	**206.5**	**12.4**	**11.2**	**0.8**	**0.8**	**(19.9)%**
Median	**399.7**	**15.9**	**30.2**	**0.9**	**1.0**	**(2.6)%**
Simple average	**422.3**	**16.0**	**29.7**	**1.4**	**1.4**	**36.8%**
Target Group [4]						
Based on TFY2013	**150.0**	**29.6**	**107.6**	**1.0**	**1.0**	**3.4%**
Based on THY2014	**150.0**	**62.0**	**606.4**	**1.0**	**1.0**	**3.4%**

Notes:

(1) The PERs for the Target's Selected Comparable Companies are based on the earnings per share as reflected in their latest announced unaudited full year financial statements or audited financial statements from their annual reports as at the respective financial year end.

(2) The P/NTA ratios for the Target's Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

(3) The P/NAV ratios for the Target's Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced unaudited full year financial statements or audited financial statements from their annual reports.

(4) For the Target Group, the computations for PER, EV/EBITDA, P/NTA and P/NAV ratios are based on the market capitalisation as implied by the Consideration, the Target Group's Revalued NAV and the Target Group's Revalued NTA. The profit and loss items for THY2014 have been annualised, where applicable.

Relative valuation for the Target Group

For illustrative purpose only, we note the following: -

(i) The market capitalisation of the Target Group as implied by the Consideration is lower than any of the Target's Selected Comparable Companies. We note that the Target Group is a privately held company as at the Latest Practicable Date. It is generally accepted that the value for quoted shares are generally higher than those for unquoted shares in the view of the listed status, improved liquidity, disclosure, corporate governance requirements as well as rules of the relevant exchange that has to be complied with for listing.

(ii) The valuation of the Target Group in terms of PER ratios (based on the earnings for TFY2013 and annualised earnings for THY2014) are higher than any of the Target's Selected Comparable Companies. Likewise, the valuation of the Target Group in terms of EV/EBITDA ratios (based on both the EBITDA for TFY2013 and the annualised EBITDA for THY2014) are higher than any of the Target's Selected Comparable Companies.

(iii) The valuation of the Target Group in terms of P/NAV (as implied by the Consideration and the Target Group's Revalued NAV) is within the range, higher than the median but lower than the simple average for the Target's Selected Comparable Companies. Likewise, the valuation of the Target Group in terms of P/NTA (as implied by the Consideration and the Target Group's Revalued NTA) is within the range and in line with the median, but lower than the simple average for the Target's Selected Comparable Companies. We note that in the event that only the SGX-listed comparable companies ("**Target's Singapore Comparable Companies**") are considered, the simple average for both P/NAV and P/NTA is 0.9 time and this slightly lower than the Target Group's P/NTA (as implied by the Consideration and the Target Group's Revalued NTA) of approximately 1.0 time.

In summary, the valuation multiples for Target Group appear to be higher than any of the Target's Selected Comparable Companies in terms of EV/EBITDA and PER ratios. In addition, the Target Group's P/NTA ratio (as implied by the Consideration and the Target Group's Revalued NTA) is higher than the simple average for the Target's Singapore Comparable Companies.

Independent Shareholders should note that the above valuation multiples should be assessed in conjunction with the fact that the Target Group's hospitality business only commenced in TFY2013 and as at the Latest Practicable Date, it is still in the midst of undertaking assets enhancement works for Montigo Resorts, Seminyak (expected to be completed in 2016) and construction of phase 3 for Montigo Resorts, Nongsa (expected to be completed in 2016). We understand from the Target Directors that such assets enhancement work and construction works are capital intensive in nature and therefore, the Target Group's gearing profile and historical performance may be different from the Target's Selected Comparable Companies whose hospitality business and assets have already been established and in operation. It is generally accepted that the P/NTA valuation for companies whose assets are still being developed or constructed should be lower than companies whose assets have already been established and in operation.

5.7 Comparison with precedent reverse takeover transactions

In our assessment of the reasonableness of the Issue Price as compared to the last traded price of the Shares prior to MOU Announcement Date and the impact on the dilution arising from the number of Consideration Shares to be issued for the Independent Shareholders and the Consideration, we have considered the details of other selected completed reverse takeover ("**RTO**") transactions undertaken by the companies listed on the SGX-ST that involved the issuance of shares to provide, *inter alia*, a comparison of the premium/discount of the issue prices of the shares over/from the last traded prices for such shares of the companies prior to the date of the relevant announcement for the RTO transactions, the dilution impact as well as the acquisition consideration as compared to the NTA of the target companies.

We have tabulated the following, purely for illustrative purpose, other completed RTO transactions undertaken by SGX-ST listed companies ("**Selected RTO Companies**"), to illustrate the typical premium/discount represented by the issue price to the last traded price for the market day immediately preceding the date of the relevant announcement, wherein the shares were last traded and the acquisition consideration over the NTA of the Target Companies ("**Selected RTO Transactions**"). Shareholders should note that all of these Selected RTO Transactions are more than 1 year old, and as such references or observation made herein is necessary limited.

Selected RTO Companies	Target Companies	Announcement date	No. of shares issued ('000)	Percentage of new share to existing shares (%)	Issue price (S$)	Last transacted price on market day prior to announcement date (S$)	Premium/ (Discount) of issue price over last transacted price on market day prior to announcement date	Purchase consideration / NTA(for the target companies) (times)
Westech Electronics Limited[(1)]	Plexus Components Pte Ltd	1-Jul-09	42,050	525.0	0.0024	0.040	(94.0)%	0.80
Friven & Co. Ltd	China Children Fashion Holdings Pte. Ltd.	10-Sep-09	1,280,000	172	0.05	0.040	25.0%	4.40
Wepco Ltd	HSR International Realtors Pte Ltd	16-Nov-09	80,000	491	0.50	0.230	117.4%	6.20
Esmart holdings Limited[(2)]	DMSB and DFZ Capital Berhard	28-Jun-10	18,100,562	2,559	0.016	0.015	5.1%	7.61
Eagle Brand Holdings Limited	Nam Cheong Dockyard Sdn. Bhd. and Nam Cheong Offshore Sdn. Bhd.	1-Oct-10	94,400,000	8,068	0.084	0.075	11.3%	3.14
SM Summit holdings ltd	Centurion dormitory (Westlite) Pte. Ltd. and Lan Beng-Centurion (Mandai) Pte Ltd	13-Jan-11	949,703	262	0.100	0.135	(25.9)%	1.00
Kyodo-allied industries ltd	Great Spirit Management Limited	10-Mar-11	1,643,836	4,393	0.365	0.280	30.4%	1.04
Asia Silk Holdings Ltd	Chaswood Resources Sdn. Bhd.	25-Mar-11	2,026,178	1,479	0.030	0.021	42.9%	5.42
Radiance Group Limited	Global Invacom Holdings Limited	30-Jun-11	164,054,189	249	0.077	0.080	(3.7)%	2.24
Fastube Limited	Atlantic Navigation Holdings Inc.	13-May-10	2,480,938	1,985	0.064	0.085	(24.7)%	2.60
Ultro Technologies Limited	Ley Choon Constructions and Engineering Pte Ltd	26-Dec-11	3,928,571	910	0.028	0.017	64.7%	2.30
Sinobest Technology Holdings Ltd.	OKH Holdings Pte. Ltd.	5-Jul-11	1,026,539	927	0.120	0.260	(53.8)%	0.62
Maximum				**8,068.0**			**117.4%**	**7.6**
Minimum				**172.0**			**(94.0)%**	**0.6**
Median				**918.5**			**9.3%**	**2.5**
Simple Average				**1,835.0**			**8.1%**	**3.1**
The Company[(3)]	**The Target Group**	**26-Aug-13**	**714,285,714**	**775.7**	**0.105**	**0.091**	**15.4%**	**1.0[(4)]**

Notes:

(1) Westech Electronics Limited carried out share consolidation and debt conversion exercises prior to the issuance of new share.

(2) Based on NTA of Esmart Group as at 31 December 2009.

(3) For the Proposed Acquisition, the Company will conduct the Proposed Share Consolidation prior to the issuance of the Consideration Shares. The Post Consolidation Share Capital is 92,084,058 Consolidated Shares and the Adjusted Issue Price is S$0.105 for each pre-consolidation Consideration Share.

(4) Based on the Consideration of S$150.0 million and Target Group's Revalued NTA of approximately S$145.0 million as explained in Section 5.3 of this Letter.

For illustrative purpose only, we note from the above table that the number of Consideration Shares to be issued pursuant to the Proposed Acquisition as a percentage of the Post Consolidation Share Capital is approximately 775.7% and this is within the range and lower than the simple average and median for the Selected RTO Transactions.

In addition, the Adjusted Issue Price for the Proposed Acquisition represents a premium of approximately 15.4% from the last transacted prices for the Shares on the MOU Announcement Date, which is within the range and higher than the simple average and median of premium/discount of the issue price to the last transacted price prior to the announcement for the Selected RTO Transactions.

We note that the acquisition consideration of the Selected RTO Transactions were mostly at premiums over the NTA of the respective companies to be acquired, with acquisition consideration/NTA ratios ranging between approximately 0.6 time and 7.6 times. The Consideration/Target Group's Revalued NTA ratio of approximately 1.0 time for the Proposed Acquisition is within the range and lower (or more favourable) than the simple average and median for the Selected RTO Transactions of approximately 3.1 times and 2.5 times respectively.

In general, the Proposed Acquisition appears to be more favourable than the Selected RTO Transactions in terms of the dilution impact (arising from the issuance of the Consideration Shares) for the Independent Shareholders, the premium over the last transacted price for the Shares on the MOU Announcement Date and the ratio of Consideration/Target Group's Revalued NTA.

We wish to highlight that the level of premium (if any) an acquirer would normally pay for acquiring a listed company through a reverse takeover varies in different circumstances depending on, *inter alia*, the attractiveness of the underlying business to be acquired by the listed company, the synergies to be gained by the acquirer from integrating the target company's business with the existing business of the listed company, the possibility of a significant appraisal of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of listed company's shares, the presence of competing bids for the target company, the extent of control the acquirer already has in the target company or the extent of control the existing substantial or controlling shareholders have on the listed company, relative or perceived motivation to sell/buy and current market expectation as well as general economic and business risks.

We wish to highlight that the list of companies set out under the list of Selected RTO Transactions listed above are not directly comparable to the Group or the Target Group in terms of size, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, future prospects and other relevant criteria. Each of the Selected RTO Transactions must be judged on its own commercial and financial merits. Furthermore, the list of Selected RTO Transactions is by no means exhaustive and information relating to the successful RTO was compiled from public available information. Therefore, any comparison with the Selected RTO Transactions is for illustrative purpose only and merely serves as a guide to illustrate the relative premiums or discounts for the transactions. Conclusions drawn from the comparisons made may not necessarily reflect any perceived market valuation for the Group or the Target Group.

5.9 Pro-forma financial effects

The proforma financial effects of the Proposed Acquisition and the underlying assumptions are set out in Section 7 of the Circular. We recommend that the Independent Directors advise the Independent Shareholders to read those pages of the Circular carefully.

The following is an extract from the Circular and is set out in italics below. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning herein.

"7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE PROPOSED SHARE CONSOLIDATION

7.1 Bases and Assumptions

The proforma financial effects of the Proposed Acquisition and the Proposed Share Consolidation are for illustrative purposes only and do not necessarily reflect the actual results and financial position of the Scorpio Group following their respective completion. The proforma financial effects of the Proposed Acquisition and the Proposed Share Consolidation on the share capital, earnings and NTA of the Scorpio Group have been prepared based on the audited consolidated financial statements of the Scorpio Group for FY2013 and the audited consolidated financial statements of the Target Group for the financial year ended 31 March 2013. For the purpose of illustrating the financial effects, no re-alignment of the accounting standards and year end has been performed.

For the purposes of illustrating the financial effects of the Proposed Acquisition and the Proposed Share Consolidation, the financial effects have been prepared based on, inter alia, the following basis and assumptions:

(a) the financial effects of the Proposed Acquisition on the earnings and the earnings per share of the Scorpio Group for FY2013 are computed assuming that the Proposed Acquisition is completed on 1 May 2012;

(b) the financial effects of the Proposed Acquisition on the NTA of the Scorpio Group as at 30 April 2013 are computed assuming that the Proposed Acquisition is completed on 30 April 2013;

(c) the Proposed Share Consolidation is deemed completed;

(d) the analysis not taking into account the financial effects of the Proposed Placement;

(e) the financial effects do not take into account any transactions completed by the Scorpio Group subsequent to 30 April 2013;

(f) the fair value adjustments on the net assets of the Scorpio Group and positive or negative goodwill arising from the Proposed Acquisition, if any, have not been considered except for the fair valuation of property classified in property, plant and equipment based on the independent valuation report dated 31 December 2013, and will be determined on the Completion Date when the Vendors have effectively obtained control of the Company. As the final goodwill will have to be determined at Completion, the actual goodwill could be materially different from the aforementioned assumption. Any goodwill arising thereon from the Proposed

Acquisition will be accounted for in accordance with the accounting policies of the Company; and

(g) based on the above assumptions, and assuming the Consideration of S$150 million, an aggregate of 714,285,714 Consideration Shares were issued at the issue price of S$0.21 per Consolidated Share on 30 April 2013 for the purpose of calculating the financial effects of the Proposed Acquisition on the NTA per share of the Scorpio Group and on 1 May 2012 for the purpose of calculating the financial effects of the Proposed Acquisition on the earnings per share of the Scorpio Group.

7.2 Effects on issued and paid-up share capital of the Company

The financial effects of the Proposed Acquisition on the issued share capital of the Company as at 30 April 2013 are as follows:

	Number of Shares	***S$***
Share capital as 30 April 2013	*150,168,117*	*16,186,087*
After the Proposed Share Consolidation	*75,084,058*	*16,186,087*
Add: Issue of the Consideration Shares	*714,285,714*	*150,000,000*
Share capital of the Company after issue of the Consideration Shares	*789,369,772*	*166,186,087*

7.3 Financial effects on (loss)/ earnings

	Before the Proposed Acquisition and Proposed Share Consolidation	***After the Proposed Acquisition and Proposed Share Consolidation***
Loss attributable to Shareholders for the financial year ended 30 April 2013	*(1,203,329)*	*(1,203,329)*
Effect of Proposed Acquisition	*-*	*1,238,476*
Adjusted profit attributable to Shareholders	*-*	*35,147*
Number of Shares	*140,647,569[(1)]*	*784,609,498*
(Loss)/ Earnings per Share (cents)	*(0.86)*	*0.004*

Note:

(1) This is based on the weighted average number of the Shares in issue during the financial year ended 30 April 2013.

7.4 Effects on the NTA of the Scorpio Group

	Before the Proposed Acquisition and Proposed Share Consolidation	***After the Proposed Acquisition and Proposed Share Consolidation***
NTA of the Group as at 30 April 2013 (S$)	*10,541,354*	*10,541,354*
Effect of Proposed Acquisition	*-*	*34,529,048*
Adjusted NTA	*10,541,354*	*45,070,402*
Number of Shares	*150,168,117*	*789,369,772*
NTA per Share (cents)	*7.02*	*5.71"*

For illustrative purpose only, we note from the table above that the Proposed Acquisition is earnings accretive and that the earnings per Share ("**EPS**") for the Group would improve from approximately negative 0.86 Singapore cents as at 30 April 2013 to approximately 0.004 Singapore cents after completion of the Proposed Share Consolidation and the Proposed Acquisition. Independent Shareholders should note that the Target Group recorded minimum profit after tax attributable to the equity holders of approximately S$123.7 thousand in THY2014. Hence, we understand from the Management that in the event the financial effects for the EPS is computed based on the HY2014 and THY2014 figures for the Group and the Target Group respectively, the Proposed Acquisition is not earnings accretive, but the loss per Share for the Group would improve from approximately 1.31 Singapore cents to approximately 0.29 Singapore cents (due mainly to the issuance of the Consideration Shares).

In addition, we note that the Proposed Share Consolidation and the Proposed Acquisition would result in a decline the Group's NTA per Share from approximately 7.02 Singapore cents to approximately 5.71 Singapore cents. Based on the discussion with the Management, we note that the fair value adjustments on the net assets of the Scorpio Group and positive or negative goodwill arising from the Proposed Acquisition, if any, have not been considered except for the fair valuation of property classified in property, plant and equipment based on independent valuation report for FY2013, and will be determined on the Completion Date when the Vendors have effectively obtained control of the Company. As the final goodwill will have to be determined at Completion, the actual goodwill could be materially different from the aforementioned assumption. Any goodwill arising thereon from the Proposed Acquisition will be accounted for in accordance with the accounting policies of the Company.

We wish to highlight that the Proposed Acquisition will lead to a lower NTA per Share but higher EPS for the Group (based on the FY2013 and TFY2013 figures for the Group and the Target Group respectively) or reduction in the Group's loss per Share (based on the HY2014 and THY2014 figures for the Group and the Target Group respectively). Notwithstanding that the Proposed Acquisition will lead to a lower NTA per Share for the Group, the Directors believe the Proposed Acquisition would provide the Company with a new business, which subject to and upon Completion, would enable the Company to enhance the value of Shareholders' equity interests in the Company, while allowing Shareholders to have the benefit of holding shares in the Company's expanded business. The Directors consider the Proposed Acquisition to be in the interest of and beneficial to the Group.

6. OTHER CONSIDERATIONS

The following factors should also be considered together with the other comments and issues raised in this Letter and the contents of the Circular.

6.1 Analysis of shareholding and capital structure for the Company

It is important to note that pursuant to the Proposed Shared Consolidation, the Proposed Acquisition and the issuance of the Consideration Shares, the shareholdings of the existing Shareholders and Independent Shareholders will be diluted significantly. In evaluating the dilution impact of the Proposed Shared Consolidation, the Proposed Acquisition and the issuance of the Consideration Shares on the Independent Shareholders, we have considered the following:-

	As at the Latest Practicable Date[1]				After the Proposed Transactions and Proposed Share Consolidation				After the Proposed Acquisition, Proposed Share Consolidation and Proposed Placement			
	Direct Interests	Deemed Interests	Total Interests	%	Direct Interests	Deemed Interests	Total Interests	%	Direct Interests	Deemed Interests	Total Interests	%
Vendors / existing shareholders of Target Company												
KOP Group Pte. Ltd.	-	-	-	0.00%	428,571,428	-	428,571,428	53.15%	428,571,428	-	428,571,428	48.35%
Ong Chih Ching [(6)]	-	-	-	0.00%	64,175,715	428,571,428	492,747,143	61.11%	64,175,715	428,571,428	492,747,143	55.59%
Leny Suparman [(7)]	-	-	-	0.00%	30,685,714	428,571,428	459,257,142	56.95%	30,685,714	428,571,428	459,257,142	51.81%
Ong Siew Ting Geraldine	-	-	-	0.00%	7,000,000	-	7,000,000	0.87%	7,000,000	-	7,000,000	0.79%
Jin Lu	-	-	-	0.00%	18,095,238	-	18,095,238	2.24%	18,095,238	-	18,095,238	2.04%
Ang Yew Lai	-	-	-	0.00%	12,500,000	-	12,500,000	1.55%	12,500,000	-	12,500,000	1.41%
Han Seng Juan	-	-	-	0.00%	18,750,000	-	18,750,000	2.33%	18,750,000	-	18,750,000	2.12%
Ong Phang Hoo	-	-	-	0.00%	18,750,000	-	18,750,000	2.33%	18,750,000	-	18,750,000	2.12%
Cho Kim Wing	-	-	-	0.00%	12,500,000	-	12,500,000	1.55%	12,500,000	-	12,500,000	1.41%
Te Kok Chiew	-	-	-	0.00%	18,750,000	-	18,750,000	2.33%	18,750,000	-	18,750,000	2.12%
Low Kheng Hong@Lau Kheng Hong	-	-	-	0.00%	11,904,762	-	11,904,762	1.48%	11,904,762	-	11,904,762	1.34%
Wang Xuan	-	-	-	0.00%	72,602,857	-	72,602,857	9.00%	72,602,857	-	72,602,857	8.19%
Total - Vendors			**-**	**0.00%**			**714,285,714**	**88.58%**			**714,285,714**	**80.59%**
Directors												
Dr Ho Kah Leong	-	-	-	0.00%	-	-	-	0.00%	-	-	-	0.00%
Ko Chuan Aun	3,000,000	-	3,000,000	1.63%	1,500,000	-	1,500,000	0.19%	1,500,000	-	1,500,000	0.17%
Yee Kit Hong	-	-	-	0.00%	-	-	-	0.00%	-	-	-	0.00%
Chia Hoo Khun Valery Kelvin	-	-	-	0.00%	-	-	-	0.00%	-	-	-	0.00%
Toh Tian Sze	28,000	40,422,000	40,450,000	21.96%	14,000	20,211,000	20,225,000	2.51%	14,000	20,211,000	20,225,000	2.28%
Substantial Shareholders												
Lian Bee Metal Pte Ltd	40,422,000	-	40,422,000	21.95%	20,211,000	-	20,211,000	2.51%	20,211,000	-	20,211,000	2.28%
Toh Tiau Lai [(2)]	-	40,422,000	40,422,000	21.95%	-	20,211,000	20,211,000	2.51%	-	20,211,000	20,211,000	2.28%
Toh Tian Sze [(3)]	28,000	40,422,000	40,450,000	21.96%	14,000	20,211,000	20,225,000	2.51%	14,000	20,211,000	20,225,000	2.28%
Ang Sin Liu [(4)]	2,750,000	6,576,738	9,326,738	5.06%	1,375,000	3,288,369	4,663,369	0.58%	1,375,000	3,288,369	4,663,369	0.53%

	As at the Latest Practicable Date[1]				After the Proposed Transactions and Proposed Share Consolidation				After the Proposed Acquisition, Proposed Share Consolidation and Proposed Placement			
	Direct Interests	Deemed Interests	Total Interests	%	Direct Interests	Deemed Interests	Total Interests	%	Direct Interests	Deemed Interests	Total Interests	%
Kang Lee Cheng, Susanna [5]	-	10,000,000	10,000,000	5.43%	-	5,000,000	5,000,000	0.62%	-	5,000,000	5,000,000	0.56%
Teo Kee Bock	15,201,000	-	15,201,000	8.25%	7,600,500	-	7,600,500	0.94%	7,600,500	-	7,600,500	0.86%
Lovell Peak Assets Ltd	18,500,000	-	18,500,000	10.05%	9,250,000	-	9,250,000	1.15%	9,250,000	-	9,250,000	1.04%
Tan Kang Seng	-	18,500,000	18,500,000	10.05%	-	9,250,000	9,250,000	1.15%	-	9,250,000	9,250,000	1.04%
Lim Siew Guat	-	18,500,000	18,500,000	10.05%	-	9,250,000	9,250,000	1.15%	-	9,250,000	9,250,000	1.04%
Independent Shareholders			**184,168,117**	100%			**92,084,058**	11.42%			**92,084,058**	10.39%
Placement Shares [8]			**-**	**-**			**-**	**-**			**80,000,000**	9.03%
TOTAL			**184,168,117**	**100%**			**806,369,772**	**100%**			**886,369,772**	**100%**

Notes:

(1) *As at the Latest Practicable Date, based on the existing 184,168,117 issued Shares.*

(2) *As at the Latest Practicable Date, Toh Tiau Lai is a controlling shareholder of Lian Bee Metal Pte Ltd. Accordingly, he is deemed interested in 40,422,000 Shares held by Lian Bee Metal Pte Ltd, by virtue of section 7 of the Companies Act.*

(3) *As at the Latest Practicable Date, Toh Tian Sze is a controlling shareholder and director of Lian Bee Metal Pte. Ltd. Accordingly, he is deemed interested in the 40,422,000 Shares held by Lian Bee Metal Pte Ltd, by virtue of section 7 of the Companies Act.*

(4) *As at the Latest Practicable Date, Ang Sin Liu is deemed to have an interest in 6,576,738 Shares held through United Overseas Bank Nominees (Private) Limited as Ang Sin Liu's nominee.*

(5) *As at the Latest Practicable Date, Kang Lee Cheng, Susanna is deemed to have an interest in 10,000,000 Shares held through DB Nominees (S) Pte Ltd as Kang Lee Cheng, Susanna's nominee.*

(6) *As at the Latest Practicable Date, Ong Chih Ching is a controlling shareholder of KOPG, which in turn has an interest in 428,571,428 shares. Accordingly, Ong Chih Ching is deemed to have an interest in 428,571,428 shares held by KOPG by virtue of Section 7 of the Companies Act.*

(7) *As at the Latest Practicable Date, Lenny Suparman is a controlling shareholder of KOPG , which in turn has an interest in 428,571,428 shares. Accordingly, Leny Suparman is deemed to have an interest in 428,571,428 shares held by KOPG by virtue of Section 7 of the Companies Act.*

(8) *Assuming the issuance of 80 million Placement Shares to new investors.*

For illustrative purpose only, we note the following:-

(i) Immediately upon completion of the Proposed Share Consolidation and issuance of the Consideration Shares but before the completion of the Proposed Placement, the existing Independent Shareholders' interest in the Company will be reduce to approximately 11.42% of the Enlarged Share Capital, and this represents a dilution of approximately 88.58% of their shareholding interests in the Company and their collective voting rights in the Company would be correspondingly reduced. The Vendors' aggregate interest in the Company after completion of the Proposed Share Consolidation and issuance of the Consideration Shares would be approximately 88.58%.

(ii) Immediately upon completion of the Proposed Share Consolidation, the Proposed Acquisition and the Proposed Placement, the existing Independent Shareholders' interest in the Company would be further reduced to approximately 10.39% while the Vendors' aggregate interest in the Company would be approximately 80.59%.

The Proposed Whitewash Resolution requires only a simple majority of Shareholders (other than the Vendors) present and voting at a general meeting (held before the issue of the Consideration Shares), and is a resolution by way of a poll.

Shareholders should note that:

(a) **approval of the Proposed Whitewash Resolution is a condition precedent to Completion. If Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place;**

(b) **the Proposed Acquisition could result in KOPG and its concert parties holding Shares carrying over 49% of the voting rights of the Company, and the fact that KOPG will as a result be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer;**

(c) **by voting in favour of the Proposed Whitewash Resolution, Shareholders are waiving their rights to a general offer from KOPG and its concert parties at the highest price paid or agreed to be paid by KOPG and its concert parties for the Shares in the past 6 months preceding the commencement of the offer; and**

(d) **by voting for the Proposed Whitewash Resolution, they could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the issue of new Shares to satisfy the Proposed Acquisition.**

6.2 Risk factors

Information on the risk factors can be found in Section 9 and Appendix E of the Circular.

Should any of the considerations and uncertainties highlighted in the aforementioned risk factors develop into actual events, the business, financial condition or results of the operations of the Group, the Company, the Target Company, the Target Group, or the Enlarged Group could be materially adversely affected.

We advise Independent Directors to note for themselves that section and also highlight the section to Independent Shareholders.

6.3 Alternative investments or acquisition opportunity

As at the Latest Practicable Date, the Directors have confirmed that they are not aware of any alternative investment or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition. It is noted from Section 2.1 of the Circular that the Board expects the Group's existing core businesses to remain challenging as increasing competition and the softening of customers' demand for the Group's video distribution business continue to erode the Group's revenue and profit margins. In addition, the Board believes the Proposed Acquisition would provide the Company with a new business, which subject to and upon Completion, would enable the Company to enhance the value of Shareholders' equity interests in the Company, while allowing Shareholders to have the benefit of holding shares in the Company's expanded business.

6.4 Proposed Share Consolidation

Prior to the issuance of the Consideration Shares, the Company proposes to undertake the Proposed Share Consolidation. We would like to highlight that Independent Shareholders holdings in Shares would be reduced proportionally (by 2 times) and that the Proposed Share Consolidation might result in shareholdings being in odd lots.

As an illustration, if a Shareholder has 1,000 Shares in his securities account as at the books closure date for the Proposed Share Consolidation, the Proposed Share Consolidation will result in that Shareholder holding 500 Shares. Due to the relative illiquidity of the odd lots market on the Catalist, the investor might be required to transact his Shares, (in the event that he is unable to dispose or liquidate his Shares or part of the Shares during the period if any designated for the trading of the odd lots), at a price lower than the market price for the Shares when sold in multiples of Board lots or for that matter lower than the Issue Price.

6.5 Moratorium Undertakings

As set out in Section 8.4 of the Circular, the Vendors have undertaken to comply with any applicable moratorium requirements imposed by the SGX-ST (including without limitation, such undertakings not to sell, transfer, dispose, realise, deal and/or create any encumbrance over the relevant Consideration Shares for such periods as may be required by Chapter 4 Part IX of the Catalist Rules).

KOPG has undertaken not to, without the prior written consent of Hong Leong Finance (such consent not to be unreasonably withheld), directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of its interests and/or shareholdings in the share capital of the Company immediately after the Proposed Acquisition, for a period of 6 months from the date of the listing of the Consideration Shares and for a period of 6 months thereafter, not to sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of our interests and/or shareholdings in the share capital of the Company to below 50.0% of its shareholdings.

Ong Chih Ching and Leny Suparman have each undertaken not to, without the prior written consent of Hong Leong Finance (such consent not to be unreasonably withheld):

(a) directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of her interests and/or shareholdings in the share capital of KOPG for a period of 12 months from the date of the listing of the Consideration Shares;

(b) directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of her interests and/or shareholdings in the share capital of the Company immediately after the Proposed Acquisition for a period of 6 months from the date of the listing of the Consideration Shares and for a period of 6 months thereafter, for not more than 50.0% of her interests and/or shareholdings in the share capital of the Company; or

(c) procure KOPG to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of its interests and/or shareholdings in the share capital of the Company immediately after the Proposed Acquisition for a period of 6 months from the date of the listing of the Consideration Shares and for a period of 6 months thereafter, for not more than 50.0% of its interests and/or shareholdings in the share capital of the Company.

The Individual Vendors (other than Ong Chih Ching and Leny Suparman) have each undertaken not to directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase, grant any security over, encumber or otherwise dispose of, any part of his interests and/or shareholdings in the share capital of the Company immediately after the Proposed Acquisition, for a period of 12 months from the date of the listing of the Consideration Shares.

6.6 Shareholders Undertakings to vote

We note from the Circular that the Company has procured the Shareholder Undertakings from the Undertaking Shareholders. The Undertaking Shareholders are directly or indirectly interested in an aggregate 48,485,000 Shares (representing approximately 26.33% of the issued Share capital as at the Latest Practicable Date). As at the Latest Practicable Date, each Undertaking Shareholder's interest in the Company is as follows:

	As at the Latest Practicable Date	
	Direct Interest	
Name of Undertaking Shareholder	**Number of Shares held by Undertaking Shareholder**	**Number of Shares held by Undertaking Shareholder as a percentage of the total issued Shares**
Lovell Peak Assets Ltd	18,500,000	10.05
Tan Kang Seng	18,500,000	10.05
Cheng Kok Shin	3,000,000	1.63
Ko Chuan Aun	3,000,000	1.63
Lee Boon Leng	3,000,000	1.63
Goh Bak Heng	1,835,000	1.00
Yong Hsi Len	550,000	0.30
Yiek Lay Yong	100,000	0.05
Total	48,485,000	26.33

Pursuant to the terms of his/its Shareholder Undertaking, each Undertaking Shareholder shall, *inter alia*, vote and/or procure the exercise of the voting rights of, all of the Shares or securities in the capital of the Company which such Undertaking Shareholder may hold or control on or after the date of that Shareholder Undertaking to approve the Proposed Acquisition, and any other matter necessary or proposed to implement the Proposed Acquisition at the EGM held to approve the Proposed Acquisition (or any adjournment thereof) as contemplated in the Acquisition Agreements.

6.7 Inter-conditionality of the Proposed Acquisition and the Proposed Whitewash Resolution

As set out in Section 2.4 of the Circular, the Completion under the Acquisition Agreements shall be, *inter alia,* conditional on the approval of the Proposed Whitewash Resolution by the majority of the Independent Shareholders and the approval of the Proposed Placement. We note that the Proposed Acquisition and the Proposed Whitewash Resolution are inter-conditional on each other. Accordingly if the Proposed Whitewash Resolution is not passed by a majority of the Independent Shareholders, the Proposed Acquisition will not take place.

We also note that the approval of the Proposed Placement is a condition for the Completion of the Proposed Acquisition (unless waived by the Company and/or KOPG). As set out in Section 6 of the Circular, pursuant to the Acquisition Agreements, each of the Company, KOPG and Ong Chih Ching have agreed that they shall or shall procure that the Company shall undertake the Proposed Placement contemporaneously with or as soon as practicable following Completion. However, Shareholders should note that the terms of the Proposed Placement, as well as the timing of the Proposed Placement, if and when it occurs, would depend on various factors such as market conditions. Although no definitive placement agreement has been executed to-date, we note from the Section 6 of the Circular that the price for each new Consolidation Share to be issued pursuant to the Proposed Placement will be minimum S$0.21 and this is simillar the Issue Price but at a discount to the last transacted price of S$0.163 per Share on the SGX-ST on the Latest Practicable Date or S$0.326 (after the Proposed Consolidation).

6.8 No profit warranty in respect of the Target Group or prices for the Shares

Independent Directors should note that no profit warranty has been provided by any party with respect to the future performance of the Target Group in connection with the Proposed Acquisition. Thus there can be no assurance that the Target Group will be able to maintain or improve its profitability or profit after tax.

The Target Group recorded profit after tax attributable to the equity holders of approximately S$1.4 million in TFY2013, which is significantly lower than the profit after tax attributable to the equity holders of approximately S$8.6 million and S$16.3 million in TFY2012 and TFY2011 respectively. In addition, the Target Group recorded profit after tax attributable to the equity holders of approximately S$123.7 thousand in THY2014, which is approximately 8.9% of the profit after tax attributable to the equity holders in TFY2013.

We recommend that the Independent Directors advise the Independent Shareholders to read the Section B8 entitled "Management Discussion and Analysis of Results of Operations and Financial Conditions of Target Group" and Section B9 entitled "Prospects, Trend Information, Strategy and Future Plans" of the Letter to Shareholders from the Directors of KOP Properties Pte. Ltd. in the Circular.

Independent Directors should also note that there is no assurance that the Proposed Compliance Placement will be executed at prices above the Issue Price after the Proposed Acquisition. In addition, there is no assurance that the steps taken or to be taken by the Enlarged Group subsequent to the Proposed Acquisition to improve the profitability of the Enlarged Group and to improve Shareholders' value will be successful or would result in the Shares being traded at prices higher than the Issue Price adjusted for the Proposed Share Consolidation.

6.9 Comparison with previous placement exercises undertaken by the Company

Comparison with the May 2013 Placement

The Company announced a placement of 34,000,000 new Shares on 10 May 2013 ("**May 2013 Placement**") at an issue price of S0.065 for each new Shares ("**May 2013 Placement Price**"). The May 2013 Placement was completed on 31 May 2013. We note that the May 2013 Placement Price valued the Group at approximately 0.82 times and 0.83 times to the unaudited NAV and NTA of the Group as at 31 October 2012 respectively.

We wish to highlight that in nominal terms, the Adjusted Issue Price is higher than the May 2013 Placement Price. In addition, we note that for the Proposed Acquisition, the Adjusted Issue Price values the Group at approximately 1.79 times and 1.94 times to the NAV and NTA of the Group as at 31 October 2013 respectively. The valuation as implied by the Adjusted Issue Price in terms of P/NAV and P/NTA ratios are higher than the valuation implied by the May 2013 Placement Price. Lastly, as set out in Section 5.6.1, the Adjusted Issue Price is approximately 1.0 times to the Group's Revalued NTA, which is higher than the P/NTA ratio as implied by the May 2013 Placement Price.

Comparison with the August 2012 Placement

The Company announced a placement of 25,000,000 new Shares on 27 August 2012 ("**August 2012 Placement**") at an issue price of S0.065 for each new Shares ("**August 2012 Placement Price**"). The August 2012 Placement was completed on 17 September 2012. We noted that the August 2012 Placement Price valued the Group at approximately 0.78 times and 0.78 times to the audited NAV and NTA of the Group as at 30 April 2012 respectively.

We wish to highlight that in nominal terms, the Adjusted Issue Price is higher than the August 2012 Placement Price. We note that for the Proposed Acquisition, the Adjusted Issue Price values the Group at approximately 1.79 times and 1.94 times to the NAV and NTA of the Group as at 31 October 2013 respectively. The valuation as implied by the Adjusted Issue Price in terms of P/NAV and P/NTA ratios are higher than the valuation implied by the August 2012 Placement Price. Lastly, as set out in Section 5.6.1, the Adjusted Issue Price is approximately 1.0 times to the Group's Revalued NTA, which is higher than the P/NTA ratio as implied by the August 2012 Placement Price.

Independent Directors should note that the comparison with the May 2013 Placement and the August 2012 Placement may be subject to factors such as, *inter alia*, timing, market sentiment, size of issuance, pricing of the placement shares. Hence, any comparison thereof is at best an indication or illustration of the implied valuation of the May 2013 Placement and the August 2012 Placement as compared to that of implied valuation of the Company based on the Adjusted Issue Price for the Proposed Acquisition.

6.10 No material litigations for the Target Group

We note from Section B14 entitled "Material Litigation" of the Letter to Shareholders from the Directors of KOP Properties Pte. Ltd. in the Circular that the Target Group is not, as at the Latest Practicable Date, engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, which may have or have had in the 12 months before the date of this Circular, a material effect on its financial position or profitability, and the Target Directors have no knowledge of any proceedings pending or threatened against any member of the Target Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Target Group.

6.11 The Target Group's expansion into the Peoples Republic of China ("PRC")

We note from Section B9 entitled "Prospects, Trend Information, Strategy and Future Plans" of the Letter to Shareholders from the Directors of KOP Properties Pte. Ltd. in the Circular that In November 2013, the Target Group and entered into a framework agreement with Shanghai West Hongqiao Business Development Co., Ltd (上海西虹桥商务开发有限公司), an associated company of the local government in Qingpu District, Shanghai, for the development of an integrated indoor winter resort in Shanghai, Winterland Shanghai (the "**Winterland Project**"). This project will be built on an 18-hectare site, with a gross floor area of approximately 45 hectares. Construction is expected to commence at the end of 2014 and be completed by 2018. As at the Latest Practicable Date, the Target Group is preparing a tender proposal for the land use rights in respect of this site.

We understand from the Target Directors that the Winterland Project is in its preliminary stages. There is no assurance that the relevant approval for, *inter alia,* the tender proposal from the relevant authority will be obtained in due course or that the Winterland Project will proceed in due course.

6.12 The Target Group's option agreement for the Marvel project

On 3 February 2014, the Target Company entered into an option agreement with KOPG for the purchase of 1,851.83 Class A units (equivalent to a 55.0% shareholding interest) in Victoria Hill Exhibitions, LLC ("**VHE**"). VHE has been granted a licence by Marvel Characters B.V. ("**Marvel**") which enables VHE to hold public exhibitions in relation to Marvel's fictional comic characters, The Avengers (i.e. Iron Man, The Incredible Hulk, Captain America and Thor). The exhibitions may be held in the United States, Canada and any additional territories which may be included pursuant to negotiations between VHE and Marvel.

The option may be exercised any time during the six-month period commencing from the date of the agreement. Upon exercise of the option, KOPG shall be obliged to sell the 1,851.83 Class A units ("**Units**") to the Target Company within 30 days, in exchange for the Target Company's payment of (i) a sale price of US$5,892,843.50, (ii) all expenses incurred by KOPG in relation to its investment in VHE, and (iii) a premium to cover the cost of funds incurred by KOPG from the date of the agreement to completion of the sale of the Units to the Target Company (the "**Premium**"). The Premium shall be calculated at a rate of 5.0% on all monies paid by KOPG for the sale of the Units to the Target Company.

The consideration paid by the Target Company to KOPG in relation to the option agreement is S$1.00.

As the terms of the option agreement were premised on a cost reimbursement basis, the Target Company's directors are of the view that the arrangement was not made on normal commercial terms and was not entered into on an arm's length basis.

We understand from the Target Directors that the exercise of the above option has not been confirmed as at the Latest Practicable Date and will depend on, *inter alia,* the market conditions as well as the evaluation of the performance of VHE. There is no assurance that the Target Company will exercise the said option.

7. OPINION AND RECOMMENDATION

In arriving at our recommendation, we have reviewed and examined all factors which we have considered to be pertinent in our assessment of the Proposed Whitewash Resolution, including the views of and representations by the Directors and the Target Directors. Our recommendation or opinion is by no means an indication of the merits of the prospects, financial performance and position of the Company or the Group or the Target Company or Target Group or the Enlarged

Group after completion of the Proposed Transactions or whether the Target Group or the Enlarged Group can improve their profitability or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the ability of the Target Group to service its borrowings (both principal and interest payment) when due or the prices at which the Shares would trade after the completion of the Proposed Transactions. The following should be read in conjunction with, and in the context of, the full text of this Letter.

(a) The rationale for the Proposed Acquisition and we note from Section 2.1 of the Circular that, *inter alia*, the Directors believes that the Proposed Acquisition would provide the Company with a new business, which subject to and upon Completion, would enable the Company to enhance the value of Shareholders' equity interests in the Company, while allowing Shareholders to have the benefit of holding shares in the Company's expanded business. The Directors are of the view that the Proposed Acquisition is in the best interest of the Company.

(b) The historical financial performance and financial position of the Group appear to be weaker than the Scorpio's Selected Comparable Companies. The Group has been in the loss making position with the significant dwindling in its core activities since FY2010.

(c) The qualified opinion and emphasis of matter as stated in the Independent Auditors' Report for FY2013 for the Scorpio Group.

(d) The evaluation of the Issue Price or the Adjusted Issue Price (as set out in Section 5 of this Letter) after taking into account, *inter alia,* the following factors:

   (i) The Adjusted Issue Price represents a premium of approximately 79.3% and 93.7% over the Group's NAV per Share and NTA per Share as at 31 October 2013 respectively. In addition, the Adjusted Issue Price less cash and cash equivalents per Share represents a premium of approximately 100.0% and 120.7% over the Group's NAV per Share less cash and cash equivalents per Share and NTA per Share less cash and cash equivalents per Share, respectively.

   (ii) The Adjusted Issue Price represents a premium of approximately 7.1% and 12.1% over the Revalued NAV per Share of approximately S$0.098 and the Revalued NTA per Share of approximately S$0.094 respectively (based on the issued Share capital of 184,168,117 Shares as at the Latest Practicable Date).

   (iii) The Adjusted Issue Price represents a premium of 15.4% over the last transacted price of S$0.091 for each Share on the Catalist on 26 August 2013, being the MOU Announcement Date. This premium is within the range and higher than the simple average and median of premium/discount of the issue price to the last transacted price prior to the announcement for the Selected RTO Transactions.

   (iv) The Adjusted Issue Price represents a premium of approximately 17.8%, 14.5%, 14.6% and 15.3% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1 month period prior to the MOU Announcement Date respectively.

   (v) The Adjusted Issue Price represents a discount of approximately 30.0% from the last transacted price of S$0.15 for each Share on the Catalist on 27 November 2013, being the Trading Day immediately preceding the Announcement Date.

   (vi) The Adjusted Issue Price represents a discount of approximately (33.6)% from the VWCP for the Shares for the period commencing from the Market Day immediately after the MOU Announcement Date and ending on the Latest Practicable Date.

(vii) The Adjusted Issue Price represents a discount of approximately (35.6)% from the last transacted price of S$0.163 for each Share on the Catalist on 12 March 2014, being the last Trading Day immediately preceding the Latest Practicable Date. The Shares were not traded on the Latest Practicable Date.

(viii) The valuation of the Scorpio Group in terms of EV/EBITDA (as implied by the Adjusted Issue Price) is more favourable than any of the Scorpio's Selected Comparable Companies.

(ix) The valuation of the Scorpio Group in terms of P/NAV and P/NTA (as implied by the Adjusted Issue Price, the Revalued NAV and the Revalued NTA) is lower than the simple average and median for the Scorpio's Selected Comparable Companies. Independent Shareholders should note that the lower valuation of the Scorpio Group in terms of P/NAV and P/NTA described above should be assessed in conjunction with the fact that the Scorpio Group's relatively weaker financial performance (in terms of ROE, net profit margin and the fact that the Scorpio Group has been in the loss making position since with significant dwindling in its core activities since FY2010) and financial position (in terms of gearing and leverage) as compared to the Scorpio's Selected Comparable Companies.

(x) The Adjusted Issue Price is higher than the May 2013 Placement Price and the August 2012 Placement Price. Likewise, the valuation of the Scorpio Group as implied by the Adjusted Issue Price in terms of P/NAV and P/NTA ratios are higher than the valuation implied by the May 2013 Placement Price and the August 2012 Placement Price.

(e) The historical financial performance and financial position for the Target Group are generally weaker than the Target's Selected Comparable Companies. The Target Group recorded profit after tax attributable to the equity holders of approximately S$1.4 million in TFY2013, which is significantly lower than the profit after tax attributable to the equity holders of approximately S$8.6 million and S$16.3 million in TFY2012 and TFY2011 respectively. In addition, the Target Group recorded profit after tax attributable to the equity holders of approximately S$123.7 thousand in THY2014, which is approximately 8.9% of the profit after tax attributable to the equity holders in TFY2013. In addition, as set out in Section 5.2.3 of this Letter, the Target Group's EBITDA and net cash generated from operating activities for THY2014 are approximately S$1.8 million and S$1.5 million. Meanwhile, the Target Group's interest paid during THY2014 is approximately S$1.5 million and current portion of borrowings amounted to approximately S$6.7 million as at 30 September 2013. In view of the above, the Target Group may have difficulties in servicing its current portion of borrowings and its interest.

(f) The representation and confirmation from the Target Directors and Target Management that the Target Group will be able to service its current portion of borrowings and its interest in view of the Proposed Placement and the proceeds or profit from future sales of its property development as well as from the hospitality business. Independent Shareholders should note that as at the Latest Practicable Date, no definitive placement agreement has been entered into and that the terms of the Proposed Placement, as well as the timing of the Proposed Placement, if and when it occurs, would depend on various factors such as market conditions. Independent Shareholders should also note that the Target Group's ability to service its current portion of borrowings and its interest will be dependent on, *inter alia,* its ability to sell the units under its property development at a profit as well as the profitability of its hospitality business.

(g) The KOPG's Undertaking and Confirmation and the KOPP's Undertaking and Confirmation (as set out in Section 5.2.3 of this Letter) in relation to, *inter alia,* the amount owing by the Target Group to KOPG and KOPG's group of subsidiaries, the Target Group's compliance with loan covenants from all its lenders as at 27 March 2014 and for the next 12 months, and the working capital adequacy of the Target Group for the next 12 months. In addition, the

Directors and the Target Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows to be generated from the Enlarged Group's operations, the existing cash and cash equivalents and the expected proceeds from the Proposed Placement, the working capital available to the Enlarged Group is sufficient for present requirements and for at least 12 months after the Completion of the Proposed Acquisition and the payment of interest and principal due.

(h) The evaluation of the Consideration (as set out in Section 5 of this Letter) after taking into account, *inter alia,* the following factors:

(i) The fair market value of the Target Group as at 30 September 2013 is in the range of S$166.5 million to S$178.2 million (based on the Independent Valuation Report), which is higher than the Consideration.

(ii) The Consideration represents a premium of approximately 394.3% over both the Target Group's NAV and the Target Group's NTA as at 30 September 2013 respectively. While on the revalued basis, we note that the Consideration represents a premium of approximately 3.4% over both the Target Group's Revalued NAV and the Target Group's Revalued NTA.

(iii) The valuation of the Target Group as implied by the Consideration (in terms of PER and EV/EBITDA) is higher than any of the Target's Selected Comparable Companies. Meanwhile, the valuation of the Target Group in terms of P/NTA and P/NAV, as implied by the Consideration and the Target Group's Revalued NAV and NTA, is within the range for the Target's Selected Comparable Companies, but higher than the simple average for the Target's Singapore Comparable Companies. Independent Shareholders should note that the above valuation multiples should be assessed in conjunction with the fact that the Target Group's hospitality business only commenced in TFY2013 and as at the Latest Practicable Date, it is still in the midst of undertaking assets enhancement works for Montigo Resorts, Seminyak (expected to be completed in 2016) and construction of phase 3 for Montigo Resorts, Nongsa (expected to be completed in 2016). We understand from the Target Directors that such assets enhancement work and construction works are capital intensive in nature and therefore, the Target Group's gearing profile and historical performance may be different from the Target's Selected Comparable Companies whose hospitality business and assets have already been established and in operation. It is generally accepted that the P/NTA valuation for companies whose assets are still being developed or constructed should be lower than companies whose assets have already been established and in operation.

(iv) The Consideration/Target Group's Revalued NTA ratio of approximately 1.0 time for the Proposed Acquisition is within the range and lower (or more favourable) than the simple average and median for the Selected RTO Transactions of approximately 3.1 times and 2.5 times respectively.

(i) The potential financial effects of the Proposed Acquisition as outlined in Section 7 of the Circular. The Proposed Acquisition will lead to a lower NTA per Share but higher EPS for the Group (based on the FY2013 and TFY2013 figures for the Group and the Target Group respectively) or reduction in the Group's loss per Share (based on the HY2014 and THY2014 figures for the Group and the Target Group respectively). Notwithstanding that the Proposed Acquisition will lead to a lower NTA per Share for the Group, the Directors believe the Proposed Acquisition would provide the Company with a new business, which subject to and upon Completion, would enable the Company to enhance the value of Shareholders' equity interests in the Company, while allowing Shareholders to have the benefit of holding shares in the Company's expanded business. The Directors consider the Proposed Acquisition to be in the interest of and beneficial to the Group.

(j) The dilution of Independent Shareholders' existing interest and the significant reduction in their voting interest in the Company pursuant to the Proposed Acquisition, which, *inter alia*, is the result of issuance of the Consideration Shares. It is further noted from Section 5.7 of this Letter that the number of Consideration Shares to be issued pursuant to the Proposed Acquisition as a percentage of the Post Consolidation Share Capital is approximately 775.7%, which is within the range and lower than the simple average and median for the Selected RTO Transactions.

(k) The risk factors and the Shareholders Undertakings as set out in Appendix E of the Circular respectively.

(l) The Directors' confirmation that as at the Latest Practicable Date, they are not aware of any alternative investment or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition. In addition, the Directors have represented the Proposed Acquisition is synergistic and will give the Company an opportunity to further grow its existing business in the areas of entertainment business.

(m) The Proposed Acquisition and the Proposed Whitewash Resolution are inter-conditional on each other. Accordingly if the Proposed Whitewash Resolution is not passed by a majority of the Independent Shareholders, the Proposed Acquisition will not take place.

(n) No profit warranty has been provided by any party with respect to the future performance of the Target Group in connection with the Proposed Acquisition or the Proposed Transactions (where applicable). There can be no assurance that the Target Group will be able to maintain or improve its profitability in the long-term.

(o) Such other relevant considerations as set out in Section 6 or elsewhere in this Letter.

Having considered all of the above, subject to the qualifications and assumptions set out in this Letter including but not limited to the uncertainties, the Scorpio Group's weak financial performance and position, and in the context of the Scorpio Group's present circumstances including its dwindling core business, the matters stated in the Independent Auditors' Report for FY2013, the Target Group's relatively short operating history within the hospitality business (which only commenced in TFY2013 and the assets development or enhancement is still in progress as at the Latest Practicable Date) with minimum profit recorded in TFY2013 and THY2014 and weak financial positions (in terms of debt servicing coverage ratio and gearing ratio), the breach or potential breach of loan covenant, the relatively higher pricing for the Target Group (as implied by the Consideration) in terms of P/NTA as compared to the Target's Singapore Comparable Companies, which we have viewed collectively with the premium of the Adjusted Issue Price over the historical market prices for the Shares, the relatively fair valuation of the Scorpio Group in terms of P/NAV and P/NTA (as implied by the Adjusted Issue Price and the Group's Revalued NAV and NTA) as compared to the Scorpio's Selected Comparable Companies taking into account the Scorpio Group's weaker financial position and performance (in terms of ROE, net profit margin and the fact that the Scorpio Group has been in the loss making position since FY2010), the favourable comparison of the Adjusted Issue Price against the placement price for the recent two placement exercises conducted by the Group, the fair market value of the Target Group of between S$166.5 million to S$178.2 million as ascribed by the Independent Valuer, the favourable comparison of the Proposed Acquisition against the Selected RTO Transactions (in terms of dilution, premium of the Issue Price over the historical market price, and pricing for the Target Group), and the KOPG's Undertaking and Confirmation and the KOPP's Undertaking and Confirmation (in relation to, *inter alia,* the amount owing by the Target Group to KOPG and KOPG's group of subsidiaries, the Target Group's compliance with loan covenants from all its lenders as at 27 March 2014 and for the next 12 months and the working capital adequacy of the Target Group for the next 12 months); the proceeds from the Proposed Placement will be subject and used for the repayment of principal and interest due the next 12 months, as well as the opinion of the Directors and the Target Directors, after having made due and careful enquiry and after taking into account the cash flows to be generated from the Enlarged Group's operations, the existing cash and cash equivalents and the expected proceeds from the Proposed Placement, the working capital available to the Enlarged Group is sufficient for present requirements and for at least 12 months after the Completion of the Proposed Acquisition and payment of interest and principal due, we are of the opinion that based on the information available to us as at the Latest Practicable Date, the Proposed Whitewash Resolution **is not prejudicial** to the interest of the Company and the Independent Shareholders.

The valuation of the Target Group, as implied by the Consideration, appears to be on the high side when considered in the context of the relatively higher pricing of the Target Group (in terms of P/NAV and P/NTA as implied by the Consideration and the Target Group's Revalued NAV or NTA) as compared to the Target's Singapore Comparable Companies after taking into consideration the Target Group's relatively short operating track record within the hospitality business, weaker financial position and the minimum profit recorded in TFY2013 and THY2014, as well as its unlisted status. Despite the relatively higher pricing of the Target Group, we are of the opinion that based on the information available to us as at the Latest Practicable Date, the financial terms of the Proposed Acquisition is, **on balance reasonable**, taking into account the Scorpio Group's weak financial performance (loss making since FY2010) and position as well as its present circumstances including the matters stated in the Independent Auditors' Report for FY2013, the fair market value of the Target Group of between S$166.5 million to S$178.2 million as ascribed by the Independent Valuer, the relatively fair valuation of the Scorpio Group in terms of P/NAV and P/NTA (as implied by the Adjusted Issue Price and the Group's Revalued NAV and NTA) as compared to the Scorpio's Selected Comparable Companies, the premium of the Adjusted Issue Price over the historical market prices, as well as the Directors' confirmation that as at the Latest Practicable Date, they are not aware of any alternative investment or acquisition opportunity available to the Company, which is comparable in nature, size and scope to the Proposed Acquisition.

RECOMMENDATION

Accordingly, we advise the Independent Directors to recommend that Independent Shareholders vote **in favour of** the Proposed Whitewash Resolution to be proposed at the EGM, and to highlight to Independent Shareholders the matters as stated in our Letter and to exercise caution in their decision in relation to the resolutions for the Proposed Whitewash Resolution.

In performing our evaluation, we have not been provided with, and have not had access to, any financial projections or future plans or corporate actions (if any) of the Company or the Group or the Target Company or the Target Group or the Enlarged Company. The opinion set forth herein is based solely on publicly available information and information provided by the Directors, Management, Target Directors and Target Management and therefore does not reflect any projections or future financial performance of the Company or the Group or the Target Company or the Target Group or the Enlarged Group after the completion of the Proposed Transactions and is based on the economic and market conditions prevailing as of the Latest Practicable Date. Our advice is solely confined to our views on the Proposed Whitewash Resolution.

MATTERS TO HIGHLIGHT

We would also wish to highlight the following matters which may affect the decisions or actions of the Independent Shareholders:

1. In performing our evaluation, we have not been provided with, and have not had access to, any financial projections of board memorandum or future plans or corporate actions (if any) of the Company or the Group or the Target Company or the Target Group or the Enlarged Company. Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions

prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after the financial statements for HY2014 for the Group and the financial statement for THY2014 for the Target Group.

The scope of our appointment does not require us to express, and we do not express and have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Target Company or the Target Group or the Enlarged Group after the completion of the transactions stipulated in the Circular or the possibility or probability that the Group or the Target Group or the Enlarged Group can improve their profitability or that the anticipated benefits from the Proposed Acquisition can be realised (as the case may be) or the ability of the Target Group to service its borrowings (both principal and interest payment) when fall due or the adequacy of the working capital of the Group, the Target Group or the Enlarged Group or the fairness of the prices at which the Placement Shares may be issued pursuant to the Proposed Placement as well as the sufficient of the proceeds for interest repayment of loans and its operating activities.

In addition to the KOPG's Undertaking and Confirmation and the KOPP's Undertaking and Confirmation (in relation to, *inter alia,* the amount owing by the Target Group to KOPG and KOPG's group of subsidiaries, the Target Group's compliance with loan covenants from all its lenders as at 27 March 2014 and for the next 12 months and the working capital adequacy of the Target Group for the next 12 months), the Target Directors and Target Management have represented to us that they are confident that the Target Group will be able to service its current portion of borrowings and its interest in view of the Proposed Placement and the proceeds or profit from future sales of its property development as well as from the hospitality business.

The Directors and the Target Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account the cash flows to be generated from the Enlarged Group's operations, the existing cash and cash equivalents and the expected proceeds from the Proposed Placement, the working capital available to the Enlarged Group is sufficient for present requirements and for at least 12 months after the Completion of the Proposed Acquisition and the payment of interest and principal when due.

2. Despite the Target Directors' representation and confirmation on the Target Group's ability to service its current portion of borrowing and its interest, Independent Shareholders should note that as at the Latest Practicable Date, no definitive placement agreement has been entered into and that the terms of the Proposed Placement, as well as the timing of the Proposed Placement, if and when it occurs, would depend on various factors such as market conditions. There is no assurance that the Proposed Placement will be conducted at a price above the Issue Price. Independent Shareholders should also note that the Target Group's ability to service its current portion of borrowings and its interest will be dependent on, *inter alia,* its ability to sell the units under its property development at a profit as well as the profitability of its hospitality business. We wish to highlight that no profit warranty has been provided by any party with respect to the future performance of the Target Group in connection with the Proposed Acquisition. Thus there can be no assurance that the Target Group will be able to maintain or improve its profitability or profit after tax.

3. **Shareholders should note that:**

   a. **approval of the Proposed Whitewash Resolution is a condition precedent to Completion. If Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place;**

   b. **the Proposed Acquisition could result in KOPG and its concert parties holding Shares carrying over 49% of the voting rights of the Company, and the fact that**

KOPG will as a result be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer;

c. **by voting in favour of the Proposed Whitewash Resolution, Shareholders are waiving their rights to a general offer from KOPG and its concert parties at the highest price paid or agreed to be paid by KOPG and its concert parties for the Shares in the past 6 months preceding the commencement of the offer; and**

d. **by voting for the Proposed Whitewash Resolution, they could be forgoing the opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the issue of new Shares to satisfy the Proposed Acquisition.**

Specific objectives

In rendering our advice, we have not had regard to the specific investment objectives, financial situation, tax position, risk profiles or particular or individual needs and constraints of any individual Independent Shareholder. As each Independent Shareholder or group of Independent Shareholders would have different investment objectives and profiles, we would advise the Independent Directors to advise any individual Shareholder or group of Shareholders who may require specific advice in the context of investments in unlisted shares or his or their specific investment objectives or portfolio should consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser, or other professional adviser immediately.

8. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote on their behalf should complete, sign and return the relevant proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 25 Tai Seng Avenue, #06-01, Scorpio East Building, Singapore 534104, not less than 48 hours before the time set for the EGM. The completion and sending of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he wishes to do so, in place of his proxy.

Depositors with Shares credited to their Securities Accounts who wish to attend and vote at the EGM or appoint a proxy, must complete, sign and return the relevant Proxy Form completed by CDP in accordance with the instructions printed thereon as soon as possible and in any event, so as to reach the registered office of the Company at 25 Tai Seng Avenue, #06-01, Scorpio East Building, Singapore 534104, not less than 48 hours before the time set for the EGM. A Depositor with Shares credited to his Securities Account shall not be entitled to attend the EGM and to speak and vote thereat or appoint a proxy unless his name appears on the Depository Register maintained by the CDP at least 48 hours before the time set for the EGM.

In addition, Independent Shareholders are advised to read Section 16 of the Circular and Notice of the EGM which has been enclosed with the Circular carefully so that the appropriate election on voting for or voting against can be made.

This Letter is addressed to the Independent Directors in connection with and for the sole purpose of their evaluation of the Proposed Whitewash Resolution and is not meant or intended to be an evaluation of the other resolutions to be proposed. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor any other party, may reproduce, disseminate or quote this letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case, except at the forthcoming EGM and for the sole purpose of the Proposed Whitewash Resolution. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Save as stated above, nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply.

The recommendations made by the Independent Directors to the Independent Shareholders in relation to the Proposed Whitewash Resolution as well as other resolutions referred to in the Circular (where applicable) and the issue of the Circular shall remain the sole responsibility of the Independent Directors and the Directors respectively.

Yours faithfully,
For and on behalf of
ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU MANAGING DIRECTOR	FOO QUEE YIN MANAGING DIRECTOR

APPENDIX D - EXCHANGE CONTROLS

The Target Group is subject to foreign exchange control restrictions in the following countries:

Singapore

Currently, no foreign exchange control restrictions exist in Singapore.

Indonesia

Currently, no exchange control restrictions exist in Indonesia. The Indonesian Rupiah has been, and in general is, freely convertible. Bank Indonesia has introduced regulations to restrict the movement of Indonesian Rupiah from banks within Indonesia to banks domiciled outside Indonesia or to an offshore branch or office of an Indonesian bank, or any investment in Rupiah denomination with foreign parties and/or Indonesian citizens domiciled or permanently residing outside Indonesia without underlying trade or investment reasons, thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all people and legal entities that are domiciled, or who plan to reside, in Indonesia for at least one year. Bank Indonesia regulations also require resident banks to report any transaction that amounts above US$10,000 (or equivalent) on a per-transaction basis and any transaction amounts to US$10,000 (or equivalent) or below on a collective or "lump sum" basis. Also Bank Indonesia also require for companies that have total assets or total annual gross revenues of at least Rp 100 billion to report to Bank Indonesia all data concerning their foreign currency activities,. The transactions that must be reported include: (a) commercial transaction of goods, services, and other transaction between residents and non-residents, (b) the position and changes of the Overseas Financial Assets and/or Overseas Financial Liabilities, and (c) plan and/or realisation of Overseas Loan.

UK

As at the date of this document, no foreign exchange control restrictions exist in the UK.

Shareholders should consider carefully the following risk factors and all other information contained in the Letter before voting on the Proposed Acquisition. Some of the following considerations relate principally to the industry in which the Target Group operates and the Target Group's business in general. Other considerations relate principally to general social, economic, political and regulatory conditions, the securities market and ownership of the Shares, including possible future dilution in the value of the Shares.

Shareholders should also note that certain of the statements set forth below constitute "forward-looking statements" that involve risks and uncertainties. If any of the following risk factors and uncertainties develops into actual events, the Target Group's business, financial condition, results of operations or cash flows may be adversely affected. In such circumstances, the trading price of the Shares could decline and Shareholders may lose all or part of their investment. To the best of the Target Group's directors' belief and knowledge, all the risk factors that are material to Shareholders in making an informed judgment have been set out below.

RISKS RELATING TO THE TARGET GROUP'S BUSINESS AND OPERATIONS

The Target Group is subject to risks associated with developing new properties / projects

New project developments are subject to a number of risks, many of which are outside the Target Group's control, including:

(a) market or site deterioration after acquisition;

(b) the possibility of discovering previously undetected defects or problems at a site; and

(c) the possibility of construction delays or cost overruns due to delayed regulatory approvals, adverse weather, labour or material shortages, work stoppages and the unavailibility of construction and/or long term financing.

A period of one to two years normally elapses between the acquisition of the site and the project's completion. Between the acquisition of the site and the project's completion, political or social conditions of the location or other conditions critical to the success of the property or project may change, such that the Target Group is unable to commence operations of the property or project, repay its debt financing and/or achieve its projected returns. In such an event, the Target Group's business, financial position and results of operations could be materially and adversely affected.

The Target Group usually finances the development of its properties or projects by way of funds from third party investors and loans from financial institutions in addition to internally generated funds. As a significant amount of funding is required for such development projects, the Target Group would typically seek financing for a substantial proportion of the cost of such developments. Such financing is usually secured by a mortgage over the development as well as a charge over the securities of the relevant property holding companies. The Target Group's ability to engage in new developments will depend on its ability to secure such financing at favourable terms or at all.

In planning for the financing of its projects, the Target Group takes into consideration various factors, including potential operating yield, the timing of the completion, the expected interest charges to be incurred for the entire duration of the project, the risk of recall of loans and the possibility that financial institutions may require that the Target Group provides additional security for its loans. A change in any of the factors may cause the Target Group's business, financial position and results of operations to be adversely affected.

The Target Group is subject to inherent real estate development, investment and management services risks

With respect to the Target Group's real estate development business, changes in the business environment while a project is under development and in sales effort may affect the revenue and cost of the development, which in turn has a direct impact on the profitability of the project. The sale and the value of a real estate development project may be adversely affected by a number of factors, including but not limited to the international, regional and local economic climate, local real estate conditions, perceptions of property buyers, competition from other available properties, changes in market rates for comparable sales and increased business and operating costs. If any of the real estate development risks described above materialises, the profitability of the Target Group's projects under development may be lower than originally expected and the Target Group's financial performance will be materially and adversely affected.

The Target Group's hospitality and real estate management services businesses are project-based, thus its revenue may experience significant fluctuations as the Target Group is subject to its respective inherent risks. Risks include cyclical downturns arising from changes in general and local economic conditions, periodic local oversupply of properties for sale or lease, competition from other developers, changes in wages, prices of raw materials, energy costs, construction and maintenance costs that may result from inflation, government regulations or changes in interest rates, and availability of financing for the Target Group's operating and/or capital requirements. The Target Group's ability to generate profit could be affected if its operating expenses increase without a corresponding increase in revenue. Factors which could increase the Target Group's operating expenses include increases in labour costs, repair and maintenance costs, utilities, insurance premiums, sub-contracted service costs, the rate of inflation and property tax assessments and other statutory charges, and any change in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies. This could result in the Target Group's hospitality properties and other properties it manages incurring operational losses, if the revenue generated by their businesses is insufficient to cover the increase in leasing costs and operational expenses.

Where the Target Group's real estate management services business is conducted in markets overseas, the Target Group is also likely to be affected by similar changes in such markets. There is no assurance that the Target Group will not be adversely affected in the event of future property downturns or other unfavourable change of circumstances in Singapore or any other markets in which it operates.

The tenure of the projects undertaken in the Target Group's real estate management services business depends on the size of the property being developed or managed, prevailing market conditions and the progress of the construction and sales in respect of development projects under management. Delays can arise due to several factors, including adverse weather conditions, shortage of construction materials, equipment and/or labour, accidents, cessation of business of the Target Group's contractors, disputes with the Target Group's contractors and longer-than-expected time taken for any necessary approvals. Such delays may result in cost overruns and increased financing costs and accordingly may affect the ability of the Target Group's clients to pay its fees in a timely manner.

The Target Group cannot provide any assurance that its hospitality properties and other properties it manages will be profitable in the future. In the event that losses are incurred for an extended period of time, or if these hotels become loss-making and remain so for an extended period of time, the Target Group's financial condition and results of operations will be adversely affected.

The Target Group is subject to revenue and profit volatility

In respect of the Target Group's real estate development business, its operating results are affected by the demand for its properties and the price at which it is able to sell them. The demand for and pricing of the properties are in turn, to a large extent, affected by the general conditions of the property market.

The Target Group's revenue for the sale of development properties in Singapore is recognised using the percentage of completion method, while the revenue for the sale of development properties outside of Singapore is recognised using the completed method. The amount of revenue to be recognised in a financial year is dependent on the number, value and/or stage of completion of development projects undertaken by the Target Group, which in turn is dependent on various factors such as availability of resources, market sentiment, market competition and general economic conditions. The Target Group's revenue and profit during any given period is also dependent on the quantity of properties delivered during that period and is affected by any peaks or troughs in its property delivery schedule and may not be indicative of the actual demand for its properties or achieved sales. Thus, there is no assurance that the amount of revenue from the sale of its development properties will not fluctuate from year to year. In the event the Target Group undertakes fewer or no new property development projects or should there be any significant delay in the progress of any of its development projects, its revenue in a particular financial year will be adversely affected.

In respect of the Target Group's real estate management services business, its revenue is largely dependent on management and other fee income it derives from the development projects undertaken for clients and third party investors. The Target Group's revenue and accordingly, profits, from its real estate management services business are therefore dependent on the number, value and duration of the projects that it manages. There is no assurance that the number and value of such projects per year will remain constant or increase from year to year as there may not be suitable land plots and other properties for development and/or investment that can be secured for development and/or management on behalf of third-party clients and investors. Further, the ultimate success of each project may be undermined by changes to market sentiment, costs of construction materials, labour, property and other changes to the prevailing economic and social climate. There is also no assurance that a project, which may be perceived by the Target Company to be profitable at the initial phases, will not turn out to be a loss-making asset or investment due to changes in circumstances not within the Target Group's control.

Hence, the historical financial performance of the Target Group as described in the Letter should not be taken as an indication of the actual performance and/or expected performance of the Target Group for any future period. In compliance with the current Singapore Financial Reporting Standards ("**SFRS**"), the Target Group's accounting policy recognises revenue from the sale of development properties in Singapore using the percentage of completion method and the sale of development properties outside Singapore using the completion method. Under the percentage of completion method, revenue is recognised by reference to the stage of completion as certified by an independent architect or quantity surveyor for the individual units sold, whereas under the completion method, revenue is recognised when the construction of the development properties is completed and the risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or an equitable interest in a property. The Target Group has no intention of changing its accounting policy in the immediate future. However, if SFRS is amended and the Target Group has to change its accounting policy in relation to revenue recognition from percentage of completion method to completion method or *vice versa*, the Target Group's revenue on a year-to-year basis will be more volatile as a result of different numbers of completed development projects in different financial years.

Future changes in the business environment during the duration of projects may affect the revenue and cost of the developments, which in turn has a direct impact on the profitability of the projects. Factors that may affect the profitability of a project include the risk that the receipt of government approvals may take more time than expected such that the Target Group may not commence construction of its property developments, the failure to complete construction according to original specifications, schedule or budget, and lackluster sales or leasing of the properties. The sales and the value of a property development project may be adversely affected by a number of factors, including but not limited to the international, regional and local economic climate, local real estate conditions, perceptions of property buyers, businesses, retailers or shoppers in terms of the convenience and attractiveness of the projects, competition from other available properties, changes in market rates for comparable sales and increased business and operating costs. If any of the property development risks described above materialises for the Target Group's existing or future projects, the Target Group's returns on investments may be lower than originally expected and its financial performance will be materially and adversely affected.

The Target Group may be affected by changes in government regulations and policies regulating the property markets in the countries it operates and compliance with current or future requirements may limit its growth or adversely affect its future business

The Target Group is subject to the regulatory oversight in Singapore, Indonesia and the UK. Failure to comply with any of the applicable laws, rules and regulations (or increased enforcement of previously unenforced rules and regulations), could result in fines or suspension of the Target Group's business licences or, in extreme cases, business licence revocation. Changes in such laws and regulations may also have an impact on the businesses at the Target Group's hospitality properties and result in higher costs of compliance. In addition, any failure to comply with these laws and regulations could result in the imposition of fines or other penalties by the relevant authorities. This could have an adverse impact on the revenues and profits of the Target Group's hospitality properties or otherwise adversely affect their operations.

The operation of the Target Group's hospitality properties in Indonesia and the UK are subject to various laws and regulations, such as those governing its relationship with its employees, including minimum wage, overtime, working conditions and work permit requirements. The withdrawal, suspension or non-renewal of any of these licences, or the imposition of any penalties, as a result of any infringement or non-compliance with any requirement, will have an adverse impact on the business and results of operations of the Target Group's hospitality properties.

In January 2013, the Singapore Government introduced a new set of property cooling measures to cool the residential property market. The measures include (a) an increase in Additional Buyer's Stamp Duty ("**ABSD**") by 5.0% to 7.0% for buyers who are foreigners, corporate entities or purchasers of their third and subsequent residential property, (b) the imposition of ABSD on two new groups of buyers, namely, permanent residents purchasing their first residential property and Singaporeans purchasing their second residential property, such that these groups of buyers now have to pay ABSD at a rate of 5.0% and 7.0%, respectively, (c) the lowering of Loan-to-Value limits to 30.0% for housing loans granted to individual borrowers obtaining a second housing loan, and to 20.0% for corporate borrowers or individual borrowers obtaining a third or subsequent housing loan, and (d) an increase in the minimum cash down payment required for individuals applying for a second or subsequent housing loan to 25.0%.

With effect from 29 June 2013, the Authority introduced a Total Debt Servicing Ratio ("**TDSR**") framework for all property loans granted by financial institutions to individuals. The TDSR framework is a standardised set of guidelines to assess property buyers' ability to borrow. This will require financial institutions to take into consideration borrowers' other outstanding debt obligations when granting property loans. A borrower's total monthly repayments of his debt obligations should not exceed 60 per cent. of his gross monthly income. The TDSR will apply to loans for the purchase of all types of property, loans secured on property and the re-financing of all such loans.

Further measures to reduce speculation in the property market were introduced by the Singapore Government in the 2013 Budget as well, one of which was the implementation of a more progressive property tax structure that increases property tax rates for high-end properties. From 1 January 2014, tax rates for investment properties will be raised from a flat rate of 10.0% to a progressive rate of 10.0% to 20.0%. Similarly, tax rates for owner-occupied properties will be changed from a progressive tax rate of 0.0% to 6.0%, to 0.0% to 15.0% in 2014 and 0.0% to 16.0% in 2015. Higher rates will apply to properties with higher annual values.

There is no assurance that changes to the existing policies and regulations relating to the property markets in Singapore and Indonesia will not have an adverse effect on the Target Group's results of operations and prospects.

The majority of the Target Group's guests come from Asia Pacific countries and adverse economic conditions in these regions or other factors that depress the level of disposable income of consumers in these regions could have a material adverse effect on its financial condition and results of operations

The Target Group's hospitality business is subject to prevailing economic conditions in markets or countries from which its guests come from. In particular, a majority of the Target Group's guests visit from Asia Pacific countries, especially Singapore and South Korea with respect to Montigo Resorts, Nongsa. The Target Group believes it is, and will continue to be, substantially dependent on the ability and willingness of these consumers to spend money on leisure and entertainment activities, including vacations, in the locations where it operates. Deterioration in economic conditions in these countries may reduce the level of disposable income that consumers spend on leisure and entertainment activities, which may reduce their patronage of the Target Group's hospitality properties and other properties it manages, and in turn could have a material adverse effect on its business, financial condition, profitability and results of operations.

The Target Group may not have adequate financial resources

Real estate development and hospitality business are capital intensive in nature. The availability of adequate financing is crucial to the Target Group's ability to acquire land, complete its development projects, finance periodic capital expenditure for purposes of refurbishments, renovations and improvements on its hospitality properties and acquire or develop additional hospitality properties and/or hospitality-related assets. A combination of its own funds, shareholders' loans, bank borrowings, other loans and pre-sale proceeds are utilised to meet these capital needs.

There is no assurance that the Target Group will be able to fund the foregoing capital requirements solely from cash provided from its operating activities. The Target Group's ability to arrange adequate financing on terms that will allow the Target Group to earn a commercially acceptable return depends on a number of factors that are beyond its control, including general economic and political conditions, the availability of other sources of debt or equity financing, prevailing conditions in the equity and/or debt markets and the terms on which banks and financial institutions are willing to extend and/or renew credit to the Target Group.

The incurrence of debt will require the Target Group to make interest payments on such debt obligations and could result in operating and financial covenants that may restrict its operations and its ability to pay dividends to its shareholders. Obtaining debt financing may increase the Target Group's vulnerability to general adverse economic and industry-wide conditions and cash derived from operations will be applied towards repayment of debt, thereby restricting its deployment for other purposes. Issuance of securities for the purposes of meeting funding requirements may lead to a dilution in the equity interests of Shareholders. The Target Group also cannot assure Shareholders that it will not be in breach of any existing or future covenants which could have a material adverse effect on its business, financial condition, results of operations and prospects.

If the Target Group does not have adequate financial resources, its business and financial condition may be materially and adversely affected.

Property developments typically require substantial capital outlay during the initial land acquisition and construction stages and may take one or more years before positive cashflows may be generated through pre-sales or sales stages of a completed property development. Depending on the size of the development, the time span for completing a property development usually lasts for more than a year. Hence, the nature of the Target Group's property development business may result in mismatching cash flows, depending on the stage of development of the property development project.

The Target Group's results of operations may be adversely affected by failure or delay in obtaining governmental approvals for its projects

The real estate industry is heavily regulated and the Target Group must comply with various requirements mandated by applicable laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a real estate development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant authorities at various stages of the real estate development process, including land use rights, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions. The Target Group cannot assure Shareholders that it will not encounter problems in obtaining such permits, licences, certificates or approvals or in fulfilling the conditions required for obtaining the same or that it will be able to adapt itself to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of permits, licences, certificates or approvals. If the Target Group fails to obtain any relevant permit, licence, certificate or approval or fulfil the conditions of the same for any of its property developments, such development may not proceed on schedule, and the Target Group's business, financial condition and results of operations may be adversely affected.

The Target Group may not be able to identify or acquire land and other real estate for development at commercially acceptable prices

To maintain the growth of its property development business, the Target Group has to identify and acquire land sites and other real estate for development. The Target Group usually replenishes and sources for new plots of land and other real estate by participating in property auctions, acquiring plots of land from private owners as well as sourcing for suitable sites that have buildings for potential development through government land sales programmes or external property agents. The Target Group competes with other property developers for new development sites and there is no assurance that suitable sites will be available to the Target Group for the purposes of its business at a reasonable price. Thus the Target Group may not be able to secure a sufficient number of desired new land sites to maintain its land bank and other potential real estate for enhancement. In such case, the Target Group may be forced to undertake fewer property development projects or projects with less desirable margins. As a result, the Target Group's business and profitability may be adversely affected.

The Target Group is subject to risks in relation to its properties which are sold prior to completion as well as unsold properties for its own development projects

The Target Group conducts sales of units prior to completion in line with industry practice. In the event of a failure or delay in the delivery of these properties to purchasers, the Target Group may be liable for potential losses that purchasers may suffer as a result. Failure to complete a real estate development on time may be attributed to factors such as delays in obtaining requisite licences, permits or approvals from government agencies or authorities, shortages of labour, adverse weather conditions, natural disasters, labour disputes, disputes with contractors, accidents and changes in government priorities and policies. If the delivery is delayed beyond the contractually specified period, the purchasers may also be entitled to terminate the pre-sale agreements and seek refund of monies paid and damages. There is no assurance that the Target Group will not experience significant delays in completion or delivery.

In the event that the Target Group is unable to sell a significant proportion of its properties, its financial performance will be materially and adversely affected. Furthermore, the unsold completed properties that the Target Group continues to hold for sale may be relatively illiquid, which will limit the Target Group's ability to realise cash from unsold units on short notice. Such illiquidity may also have a negative effect on the prices of unsold units in the event that the Target Group is required to sell the unsold properties urgently, and limits the Target Group's ability to vary its portfolio of property held for sale in response to changes in economic, political, social or regulatory conditions in a timely manner. In such an event, the Target Group's cash flow and financial performance will be adversely affected. The Target Group has sold 53 villas and 20 residences at Montigo Resorts, Nongsa as at the Latest Practicable Date and 35 villas and 88 residences remain unsold.

Property valuations may materially differ from prices that can be achieved

The valuations of the Target Group's real estate and hospitality properties are conducted by professional valuers using certain assumptions. These valuations are not intended to be predictions of, and may not accurately reflect, the actual value which may be realised upon liquidation or disposal of these assets. Unforeseeable changes to the economic or regulatory environment, the actual condition of the Target Group's properties or other relevant factors may affect the premises upon which the valuations are based and, hence, the resulting valuations. Please refer to Appendix B of the Circular for the Property Valuation Reports.

The Target Group's strategy of investing in hospitality and hospitality-related assets may entail a higher level of risk compared to other types of business that have a more diverse range of investment

One of the Target Group's investment strategies is to invest directly or indirectly, in a portfolio of real estate which (a) is primarily used for hospitality and/or hospitality-related purposes, whether wholly or partially, and real estate in relation to the foregoing and (b) may exist as part of larger mixed-use developments (where such mixed-use developments may also include non-hospitality uses).

A concentration of investments in a portfolio of such specific real estate assets may cause susceptibility to a downturn in the real estate market as well as the hospitality industry in the countries in which the Target Group owns and/or manages hospitality properties and the relevant regions elsewhere. A decline in occupancy and room rates for such real estate assets, and/or a decline in the asset value of the Target Group's portfolio will have an adverse impact on the Target Group's business, financial position and results of operations.

Real estate investments (whether hospitality-related or not) in which the Target Group has invested or intends to invest in, are relatively illiquid. Such illiquidity may affect the Target Group's ability to vary its investment portfolio or liquidate part of its assets in response to changes in economic, real estate market or other conditions. For instance, the Target Group may be unable to sell its assets on short notice or may be forced to give a substantial reduction in the price that may otherwise be sought for such assets in order to ensure a quick sale. These factors could have an adverse effect on the Target Group's business, financial position and results of operations.

The hospitality industry is service-oriented and the Target Group may be adversely affected if it is unable to compete effectively for skilled hospitality employees

The hospitality industry is a service-oriented industry and is very labour intensive. Competitors may compete aggressively for skilled hospitality employees, which may translate to higher operating cost of the Target Group's hospitality business. In addition, the Target Group's hospitality staff may be poached by existing or new competitors in the market, which may have an adverse effect on the operations of the affected property. A shortage of skilled manpower may translate to lower quality of service, which may in turn affect the Target Group's guests' lodging experience and lead existing customers to prefer alternative accommodation from its competitors.

The Target Group's insurance policies do not cover all operating risks and it may be affected by uninsured losses to its hospitality properties

While the Target Group maintains insurance policies covering losses, including those arising from fire, accidents and calamities, it does not carry insurance that covers losses arising from all operating risks. Please see the section "The Target Group's Business – Insurance" of the Letter for more details.

Should there be losses arising out of damage to the Target Group's hospitality properties from acts of terrorism or other events which are not covered by its policies, or should such damage exceed the amount for which it is insured, the Target Group's business, financial position and results of operations could be materially and adversely affected. With respect to losses which are covered by the Target Group's policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Target Group may not be able to recover the full amount from the insurer. There can be no assurance that the Target Group's policies would be sufficient to cover all potential losses, regardless of the cause, or whether it can recover for such losses.

The Target Group currently manages only a limited number of hospitality properties. The consequences of fire, accidents or calamities could be severe and they could have a material adverse effect on the Target Group's business, financial conditions, profitability and results of operations. The Target Group cannot determine when such an event will occur or the effect that it will have on the hospitality industry in areas in which the Target Group's hospitality properties and other properties it manages are located.

Physical damage resulting from fire or other causes and design or construction defects in the Target Group's hospitality properties or other properties it manages may lead to additional capital expenditure, repair or maintenance expenditure, business interruption, or payment of damages or other obligations to third parties, and may in turn result in an adverse impact to the Target Group's business, financial condition, results of operations and prospects.

Renovation or asset enhancement works to the Target Group's hospitality properties or other properties it manages may disrupt the operations of these hotels and collection of income or otherwise result in an adverse impact on the Target Group's financial condition. The Target Group may also be adversely affected by a delay in the completion of asset enhancement works

The quality and design of a hospitality property have an influence on the demand, and the average daily rates of the hospitality property. The hospitality properties may need to undergo renovation or asset enhancement works from time to time to retain their attractiveness and may also require unforeseen ad hoc maintenance or repairs in respect of faults or defects that may surface or because of new planning laws or regulations. During such renovation or asset enhancement works, the business and operations of the hospitality properties and consequently, the revenue generated by such properties may suffer. The costs of maintaining a property and the risk of unforeseen maintenance or repair requirements tend to increase over time as the building ages. Any delay in the completion of asset enhancement works may result in a potential loss in revenue, thereby adversely affecting the financial condition and results of operations of the relevant properties.

The Target Group expects to face competition for hospitality management agreements

The Target Group competes with international, regional and local management companies in the management of up-scale and luxury hotels and other hospitality properties, some of which may have greater name recognition and financial resources than the Target Group. Competition for hospitality management agreements is intense among management companies in the hospitality industry. In order for the Target Group to retain its existing management agreements or to provide management services for other hotels and hospitality properties, the Target Group may be required to offer more attractive terms to the existing or prospective hospitality properties owner(s) than what is being offered by other management companies. There is however, no assurance that any such terms that the Target Group offers will be sufficient for it to be retained or engaged as hospitality service providers.

The financial performance of the Target Group's hospitality business is dependent on the condition of the hospitality industry in the countries in which it has assets and/or operates.

A number of factors, many of which are common to the global hospitality industry and are beyond the Target Group's control, could affect its financial performance, including but not limited to the following:

(a) the condition of, and any changes in, the domestic, regional and global economies, including, but not limited to, factors such as the political landscape, environmental conditions that may result in reduced occupancy rates and room rates for the Target Group's hospitality properties and the hospitality properties it manages;

(b) increased threat of terrorism, terrorist events, airline strikes, hostilities between countries or increased risk of natural disasters that may affect travel patterns and reduce the number of business and commercial travellers and tourists;

(c) outbreak of Sudden Acute Respiratory Syndrome ("**SARS**") or any SARS-like virus, avian influenza, Influenza A (H1N1) and/or other epidemics in the countries where the Target Group's hotels are located, which would affect the Target Group's customers' decision to travel to those countries;

(d) dependence on business and commercial travel, leisure travel and tourism, all of which may affect the length of a traveller's stay;

(e) new room supply in the markets in which the Target Group owns and/or manages, which could affect the occupancy levels and revenue at its hospitality properties and other properties it manages;

(f) changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;

(g) increased competition in the hospitality industry in the countries in which the Target Group owns and/or manages hospitality properties;

(h) the nature and length of a typical guest's stay – guests typically stay on a short-term basis and there is therefore no assurance of a long-term occupancy for hotel rooms. Factors which may affect the above include:

    (i) seasonality patterns in tourism arrival numbers throughout the year;

    (ii) decrease in longer-term business travel and corporate executives requiring mid to long-term accommodation; and

    (iii) frequency of events or conferences in the surrounding vicinity of each hospitality property, in particular, Cranley Hotel;

(i) changes in exchange rates that may adversely affect the Target Group's operating results or ability to finance;

(j) changes in interest rates and in the availability, cost and terms of debt financing and other changes in the Target Group's hospitality business that adversely affects its ability to comply with debt financing covenants;

(k) the Target Group's relationships with its service providers or lenders;

(l) disruptions to the Target Group's operational and information technology infrastructure and systems (including, but not limited to, its online reservation systems);

(m) shortage of skilled labour for the operation of the Target Group's hospitality properties and the hospitality properties it manages;

(n) difficulties in identifying hospitality assets to acquire and completing and integrating acquisitions;

(o) adverse weather patterns; and

(p) adverse effects of a downturn in the hospitality industry.

These factors could have a material adverse effects on the Target Group's financial condition, results of operations and prospects.

The Target Group may not be able to protect its intellectual property effectively

The brand name "KOP" is an important asset that the Target Group relies on for its business and this has been licensed to the Target Group from the proprietor of the trademark, KOPG.

KOPG registered the "KOP" trademark in the PRC, Singapore and Indonesia and on 17 October 2013 assigned the registration in Indonesia to the Target Group. The right to use the trademark in whatsoever manner in the PRC and Singapore has been granted to the Target Group for a continuous period of 100 years under a non-exclusive licence agreement which is subject to the terms and conditions of the registered country. The Target Group believes brand awareness, image and loyalty are critical to its ability to achieve and maintain its success. Significant resources establishing and promoting these brand names have been spent for the Target Group's business, and it expects to expend resources to promote these brand names in the future. KOPG however may terminate the Target Group's right to use the brand name and intellectual property rights in the event of, amongst others, a material breach under the relevant agreements. The licensor of the "KOP" trademark in the respective countries may not renew the licensing of the brand name to the Target Group on the expiry of the relevant agreement. These will result in the Target Group not being able to operate its business under the "KOP" trademark effectively if its right to use the trademark in the respective countries is terminated.

The Target Group's success will also depend on its awareness of and its ability to prevent third parties from using its brands without consent. The Target Group could incur substantial costs in pursuing any claims relating to the trademarks. Issues relating to intellectual property rights can be complicated and there is no assurance that disputes will not arise or that any disputes in relation to the trademarks will be resolved in the Target Group's favour. The Target Group has commenced the process of registering a number of trademarks in various countries. For more details, please refer to the section "The Target Group's Business – Intellectual Property" of the Letter.

The Target Group is dependent on its senior management personnel for its continued success

The Target Group's success depends largely on its ability to attract and retain experienced key personnel. In particular, the success of the Target Group's business depends to a large extent on the personal reputation, business generation capabilities, network and business relationships with members of the business community and real estate industry, judgment and project execution skills of its Executive Chairman Ong Chih Ching and its CEO and Executive Director Leny Suparman. As the Target Group has a limited operating history, Ong Chih Ching and Leny Suparman's personal reputation and business generation capabilities, in particular, are critical elements in the Target Group's ability to obtain and maintain client engagements and raise capital. Accordingly, their retention is crucial to the Target Group's success.

The Target Group also anticipates that it will be necessary for it to employ additional key personnel as it pursues its growth strategy. However, the Target Group may not succeed in recruiting such additional personnel or retaining current key personnel as the market for such personnel is extremely competitive. Further, the Target Group's business relies on the expertise, business origination efforts and client relationships of the members of its senior management and the Target Group depends on them to identify business opportunities and formulate the Target Group's policies. If the Target Group is unable to attract or retain senior management, or if any of its senior management is unable or unwilling to continue in his or her present position, the Target Group may not be able to fill such position readily or at all and its business may be adversely affected. Efforts to retain or attract key personnel may also result in significant additional expenses, which could adversely affect the Target Group's profitability.

There is no assurance that the HGB title of the land on which Montigo Resorts, Nongsa is sited and the lease of Montigo Resorts, Seminyak, can be renewed after their expiry

In Indonesia, a HGB title is the closest form of land title to the internationally recognised concept of "leasehold" title. A holder of the HGB title has the right to erect, occupy and use buildings on the parcel of land, and sell all or part of such parcel. The land on which Montigo Resorts, Nongsa is sited is held via HGB title. The expiry of the HGB title to Montigo Resorts, Nongsa is in January 2038. Subject to the fulfillment of certain conditions, the term of the HGB title may be extended by the government authorities for an initial 20 years, and subsequently for a further 30 years.

There is no assurance that there will be approval for such renewal or extension in the future. The non-renewal of the HGB title, for any reason, could either adversely affect the operations of Montigo Resorts, Nongsa or result in the Target Group losing ownership of Montigo Resorts, Nongsa.

The Target Group's lease of Montigo Resorts, Seminyak is made up of several leases over a few plots of land which expire in the year 2034 and 2059.

The Target Group relies on independent contractors and is subject to the operational risks of their individual business

The Target Group engages independent third-party contractors to provide various services, including design, construction, piling and foundation, building and property fit-out works, installation of air-conditioning units and elevators, and interior decoration in relation to its properties under development. The Target Group invites contractors with a reputation for quality and good track record to tender for relevant work. Notwithstanding the foregoing, the Target Group cannot guarantee that the work by independent third-party contractors will be satisfactory or that it will match the exact level of quality that it requires. Moreover, contractors may experience financial or other difficulties that may affect their ability to carry out the work for which they are contracted, thus affecting the projects or resulting in additional costs for the Target Group. Should the Target Group's contractors fail to rectify any unsatisfactory works and the Target Group is unable to find suitable alternative solutions in a cost effective and timely manner, the Target Group may not be able to complete the project within the desired budget and time schedule, and this may result in cost overruns and project delays. Any of these factors could adversely affect the Target Group's results of operations and hence, its reputation.

The Target Group may be involved in legal and other proceedings arising from its operations from time to time

The Target Group may be involved from time to time in disputes with various parties involved in the development and sale of its properties such as contractors, sub-contractors, suppliers, consultants, purchasers and other parties. These disputes may lead to legal and other proceedings, and may cause the Target Group to suffer additional costs and delays. In addition, the Target Group may have disagreements with regulatory bodies in the course of its operations, which may subject the Target Group to administrative proceedings and unfavourable decrees that result in financial losses and delay the construction or completion of its projects.

The Target Group may encounter problems with its business partners that may adversely affect its business

The Target Group has, and expects in the future to have, interests in joint venture entities or other arrangements with business partners in connection with its property development and investment activities. If there are disagreements between the Target Group and its business partners regarding the business and operations of the ventures or arrangements, the Target Group cannot assure Shareholders that it will be able to resolve them in a manner that will be in its best interests. In addition, its business partners may (a) have economic or business interests or goals that are inconsistent with the Target Group's; (b) take actions contrary to the Target Group's instructions, requests, policies or objectives; (c) be unable or unwilling to fulfill their obligations; (d) have financial difficulties; or (e) have disputes with the Target Group as to the scope of their responsibilities and obligations. Any of these and other factors may materially and adversely affect the performance of the Target Group's joint ventures, which may in turn materially and adversely affect its financial condition and financial performance.

The Target Group may not be successful in implementing its business expansion plans

As part of the Target Group's future business plans, it intends to expand its operations, both locally and overseas; and it may also venture into other real estate related opportunities. Please refer to the section "Prospects, Trend Information, Strategy and Future Plans — Strategy and Future Plans" of the Letter for further details.

Expansion plans generally involve numerous risks, including but not limited to, the financial costs of setting up new business units and working capital. Such plans may be expensive and may divert the Target Group's management's attention and expose the Target Group's business to unforeseen liabilities or risks associated with entering new markets or new businesses. The Target Group may not be able to complete any or all of its current or future projects within the anticipated time frame or budget, or in accordance with investment commitments, plans, timelines and schedules that it may have agreed with regulatory or other bodies, if at all due to unforeseen or circumstances that are out of its control. The inability to complete a project within the factors stated above can have a material adverse effect on the Target Group's business, financial condition, results of operations and prospects. It may also result in a breach of relevant laws and regulations, which could subject the Target Group to fines, loss of approvals or licences to implement and operate the relevant project and other penalties. If the Target Group is unable to successfully implement, integrate and manage its expansion plans, its business, financial condition, results of operations, credibility and prospects may be adversely affected.

The Target Group's expansion plans also include the development of projects in new markets or locations. If the Target Group fails to understand, adapt to or comply with local market and regulatory conditions, it may not be successful in implementing its plans, and the Target Group may be in breach of local laws and regulations. For instance, the Target Group plans to develop an integrated indoor winter resort in Shanghai, the PRC. Chinese laws generally require that construction and completion of a project must comply with the investment commitments, plans, timelines and schedules that have been agreed with the local authorities. If the Target Group is unable to meet any of these investment commitments, plans, timelines and schedules and to obtain an extension of these timelines and schedules or to amend the agreement with the local authorities, it may be in breach of local laws and regulations, and may be subject to penalties, which could materially and adversely affect the Target Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE TARGET GROUP'S OPERATIONS OVERSEAS

A number of factors, many of which are inherent when having operations overseas that are beyond the Target Group's control and so could affect its financial performance, include but are not limited to the following:

(a) the political, social and economic conditions of the countries the Target Group operates in;

(b) possible foreign exchange volatility whereby a movement in exchange rates of the countries the Target Group operates in versus its base rate may result in a favourable or an unfavourable effect on the Target Group's financials; and

(c) the legal and regulatory regime of the countries the Target Group operates in may be less certain than other markets and may be subject to unforeseen changes. At times, the interpretation or application of laws and regulations may be unclear to the Target Group and the content of applicable laws and regulations may not be immediately available to the public. Under such circumstances, consultation with the relevant authority in each country may be necessary to obtain a better understanding or clarification of applicable laws and regulations.

RISKS RELATING TO THE OWNERSHIP OF SHARES FOLLOWING COMPLETION OF THE PROPOSED TRANSACTIONS

The Vendors are expected to control more than 75% of the Enlarged Share Capital upon completion of the Proposed Transactions

On completion of the Proposed Transactions, the Vendors will control more than 75% of the Enlarged Share Capital. As a result, they will be able to significantly influence matters requiring Shareholders' approval (other than the approval of transactions for which they and their associates may be prohibited from voting) in a manner which may or may not be in the interests of other Shareholders, including the election of directors, the timing and payment of dividends, transactions such as the sale of all or substantially all of the Enlarged Group's assets, the merger or consolidation with another entity, capital restructuring and business ventures.

The Vendors will also effectively have veto power with respect to any Shareholder action or approval requiring a special resolution.

Such concentration of ownership will place the Vendors in a position to significantly affect corporate actions in a manner that could conflict with the interests of public Shareholders and may also have the effect of delaying, preventing or deterring a change in control of the Company, which may otherwise have benefited the Shareholders.

No prior market for the Shares on an Enlarged Group basis

The new Shares have never been traded on an Enlarged Group basis. As such, there can be no assurance that an active trading market for the Shares will develop or, if developed, will be sustained.

Independent Shareholders will face immediate and substantial dilution and may experience future dilution to shareholdings

The completion of the Proposed Transactions will result in immediate dilution to the shareholdings of existing Independent Shareholders as the Consideration Shares will be allotted and issued to the Vendors and their nominees pursuant to the Proposed Acquisition. The Enlarged Group will also undertake the Proposed Placement to meet the free float requirement under the Catalist Rules. In addition, following completion of the Proposed Transactions, it is possible that the Enlarged Group may require funding in order to grow and expand its operations. Under such circumstances, secondary issue(s) of securities may be necessary to raise the required capital to develop these growth opportunities. If new Shares are issued and placed to new and/or existing Shareholders, they may be priced at a discount to the prevailing market price of Shares trading on the SGX-ST, in which case existing Shareholders' equity interest will be diluted. If the Enlarged Group fails to utilise the new equity to generate a commensurate increase in earnings, the EPS of the Enlarged Group will be diluted and this could lead to a decline in the market prices of its Shares.

The price of the Shares may fluctuate following the completion of the Proposed Transactions

The Issue Price of the Consideration Shares allotted and issued in relation to the Proposed Acquisition may not be indicative of the price of the Shares that will prevail in the trading market. Volatility in the market price of the Shares may be caused by factors beyond the control of the Enlarged Group and may be unrelated and disproportionate to the operating results of the Enlarged Group.

The market price of the Shares may fluctuate significantly and rapidly as a result of, amongst other things, the following factors, some of which are beyond the control of the Enlarged Group:

(a) the success or failure of the Enlarged Group's management team in implementing business and growth strategies;

(b) changes in significant contracts, acquisitions, strategic alliances or capital commitments;

(c) loss of the Enlarged Group's major customers or failure to complete significant orders or contracts;

(d) variations in the operating results of the Enlarged Group;

(e) involvement in litigation;

(f) unforeseen contingent liabilities of the Enlarged Group;

(g) addition or departure of key personnel of the Enlarged Group;

(h) loss of an important business relationship or adverse financial performance by a significant customer or group of customers;

(i) changes in securities analysts' estimates of the Enlarged Group's financial performance and recommendations;

(j) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events or factors;

(k) differences between the Enlarged Group's actual financial operating results and those expected by investors and securities analysts; and

(l) changes in general market conditions and broad market fluctuations.

Future sale of securities by Vendors may adversely affect the price of the Shares

Following Completion but before the completion of the Proposed Placement, the Vendors will collectively hold 88.58% of the Enlarged Share Capital. Although the Consideration Shares held by the Vendors are subject to a moratorium (the details of which are set out in Section 8.4 titled "Moratorium" of this Circular), any sale of a significant number of such Shares after the expiration of the applicable moratorium period, or the perception that such sales may occur, could materially and adversely affect the market price of the Shares and may thereby also affect the Enlarged Group's ability to raise funds through the issue of equity or other forms of securities.

Negative publicity may adversely affect the price of the Shares

Negative publicity involving the Enlarged Group or any of the Proposed Directors, Proposed Executive Officers and Substantial Shareholders of the Company may adversely affect the market perception or the price of the Shares. Some examples of the negative publicity are unsuccessful attempts in joint ventures and takeovers.

The Enlarged Group may not be able to realise the full synergies of the Proposed Acquisition if it is unable to successfully integrate its businesses

There is no absolute assurance that the Enlarged Group will be able to successfully integrate the business of the Target Group. The existing business of the Scorpio Group and the business carried on by the Target Group are significantly different in nature. There may be unexpected integration challenges and potential instabilities which may adversely affect or disrupt the business operations of the Enlarged Group and its financial performance, financial position and prospects. Accordingly, there is no assurance that the Enlarged Group will achieve the synergies, the returns and other benefits expected of the Proposed Acquisition.

RISKS RELATING TO NON-FULFILMENT OF CONDITIONS

The Proposed Acquisition is conditional upon the fulfilment of several conditions precedent pursuant to the Acquisition Agreements. In the event that any of the conditions precedent are not fulfilled or waived by the relevant party by the Long-stop Date, the Proposed Transactions, will not take place and this may adversely affect the Company's future financial condition and results of operations.

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SINGAPORE

The following is a summary of the main laws and regulations of Singapore that are relevant to the Target Group's business as at the Latest Practicable Date.

Housing Developer's Licence

The housing developer's licence is required for a developer who intends to develop a project with more than four units of housing accommodation. We usually apply for the sale licence, which allows us to commence construction and start selling the units in the development once the building plan approval has been obtained.

The licence will be issued subject to, amongst other things, the following conditions:

(a) strict compliance with the applicable laws governing housing development in Singapore;

(b) no option shall be granted and no agreement for the sale of houses/flats shall be entered into until building plans have been approved by the Commissioner of Building Control (as appointed under the Building Control Act, Chapter 29 of Singapore), and subject to the planning permission and building plan approval not being invalidated by the URA or the Commissioner of Building Control; and

(c) the developer shall not after the redemption of the mortgage of the land, further encumber the land or the housing unit by way of a mortgage or by any other means and no caveat shall be lodged in respect of the land or the housing unit.

The licence remains in force until the date of the issuance of the CSC and the Subsidiary Strata Certificates of Title or the Certificates of Title, whichever is applicable, for all the units of the development, unless otherwise earlier revoked. Also, we are required to furnish all records, commencing from the date the first option is granted, to the Controller of Housing, and to comply with the Housing Developers (Project Account) Rules with respect to the administration of the accounts of the Target Group's property development projects.

Compliance with Residential Property Act, Chapter 274 of Singapore (the "RPA")

The RPA provides that the purchase or transfer of residential property shall be restricted to approved purchasers, which includes Singapore Companies. The aforesaid restriction does not apply to the following residential properties:

(a) any flat that is comprised in any building in a development permitted to be used for residential purposes, and that is not a landed dwelling-house;

(b) any unit comprised in a development which is shown in an approved plan bearing the title "condominium" and issued under the Planning Act; and

(c) any unit in a development comprising housing accommodation sold under the executive condominium scheme,

provided that a foreign person shall not, without the prior approval of the Minister of Law, acquire all the flats or units in the building or development. A foreign person is also not prohibited from acquiring an estate or interest in any development for a term not exceeding 6 years, including any further term which may be granted by way of an option for renewal.

Qualifying Certificate

Under the RPA, a housing developer, not being a Singapore Company holding a clearance certificate, shall, before purchasing or acquiring an estate or interest in any residential property, apply to the Controller of Residential Property for approval to purchase or acquire the residential property (the "**qualifying certificate**") (under section 31). A qualifying certificate issued by the Controller of Residential Property to a housing developer would generally require the housing developer to use the residential land for purposes of development and to dispose of the entire property after completion of the development within a certain time frame. Where the housing developer is a company, any changes in the shareholding and shareholders of the housing developer will be subject to the written approval of the Controller of Residential Property. Further, the permission of the Controller of Residential Property will have to be obtained if the company wishes to hold any part of such properties for investment purposes (under section 25).

URA and BCA Approval

All proposed property development projects in Singapore require a written permission granted by URA setting out specific requirements and limits for each development, such as land use, gross plot ratio, building height and building form on the development site. Approvals will also be needed for any changes in the use of the land and/or premises from URA.

Subsequent to obtaining the written permission from the URA, building plans will be submitted to BCA for approval, after clearance from the relevant government authorities, such as LTA and NEA, where applicable, is granted. Upon obtaining the Notice of Approval for the Target Group's building plans and a Permit to Carry Out Structural Works from BCA, we can then proceed with construction in accordance with such approvals.

INDONESIA

The following is a summary of the main laws and regulations of Indonesia that are relevant to the Target Group's business as at the Latest Practicable Date.

(1) Indonesian Legal System

Indonesian legal system is, based on its historical background, influenced by the Dutch law, customary (adat) law as well as its national law that is implemented since Indonesia declared its independence on 17 August 1945. To date the influence of Dutch law still exists, for example civil law is based on the Civil Code of 1847 (Burgerlijk Wetboek – Kitab Undang-Undang Hukum Perdata) and commercial law is based on Commercial Code (Wetboek van Koophandel – Kitab Undang-Undang Hukum Dagang) of 1847. Other than that, numerous new laws have been enacted since the independence of Indonesia, for example the Law Number 40 of 2007 regarding the Limited Liability Company, Law Number 8 of 1995 regarding the Capital Market Law, and Law Number 25 of 2007 regarding the Investment.

Indonesia is a republic established under the 1945 Constitution, which was amended respectively in October 1999, August 2000, November 2001 and August 2002 (the "**Constitution**"). Under the Constitution, the most important constitutional bodies are People's Consultative Assembly (Majelis Permusyawaratan Rakyat) and the House of People's Representatives (Dewan Perwakilan Rakyat).

Pursuant to Law No. 12 of 2011 on Formation of Legislation, Indonesian legislation comes from the following form: (i) 1945 Constitution, (ii) Resolution of the People's Consultative Assembly, (iii) Laws enacted by the joint approval of President and the House of People's Representatives (the "**Laws**"), (iv) Government Regulation Substituting a Law, (v) Government Regulation, (vi) Presidential Decree, (vii) Provincional Regulations, and (viii) Regional Regulation. Legislation is published at the State Gazette of the Republic of Indonesia as well as State Report that contains government and public notice.

(2) Regional Autonomy and Decentralisation in Indonesia

The introduction of laws on regional autonomy will generally affect the government administration system in Indonesia in the future, in the sense that these laws could create different impacts on the existing environment of the foreign investment in Indonesia.

To accommodate the need for proper decentralization of government in Indonesia, 2 new laws have been passed accordingly i.e.: (Law No. 32 of 2004 dated 15 October 2004 as lastly amended by Law No. 12 of 2008 dated 28 April 2008 on Regional Government, and Law No. 33 of 2004 dated 15 October 2004 on the Balance of Funds Between the Central Government and Regional Government, hereinafter jointly referred to as the "**Regional Government Laws**").

Based on the Regional Government Laws, the Governor has 2 principal functions:

1. as a head of autonomous region, he is obliged (i) to lead the management and administration of the Regional Government based on the policies as jointly determined by the Regional House of People's Representative, (ii) to submit a bill of Regional Regulation, and to enact a Regional Regulation which has jointly approved with the Regional House of People's Representative; and

2. as head of the territory (a separate division of the Central Government for administrative purpose) he is obliged to represent the Central Government, to develop and to supervise the Regency Region/City Region general administration of affairs, to coordinate the Central Government affair in the Province and Regency Region/City Region.

Some other important features stipulated in the Regional Government Laws are as follows:

1. the Province Region, Regency Region and the City Region are "Autonomous Regions", in the sense that each region has the right as well as authority to manage by itself some of the general government affairs, except for foreign affairs policy, defence policy, courts, fiscal and monetary policies, religion and other specific authorities which are further stipulated by the Government Regulation.

2. all Autonomous Regions do not have any hierarchy relationship to each other. The Regency Region and the City Region are not subordinate to the Province Region. The Regional Government Laws have regulated that cooperation and coordination among all Autonomous Regions are required, in order to implement their autonomous authority in relation to the general government affairs.

3. Governor, the Regent and the Mayor shall be elected directly by the citizen of such region.

4. as an autonomous region, a province, regent region or city region may pass its own regional regulations (*peraturan daerah*). A regional regulation is issued by the head of the region (i.e. a governor, regent or mayor, as the case may be) with the joint approval by the local legislature. It should be noted that the legislative body may introduce a regional bill. In such event, the bill will become regulation if jointly approved by the head of the region.

Therefore, it can be generally concluded that the enactment of the Regional Government Laws creates a strong commitment to empower the regional governments in dealing with their own general administration affairs in the spirit of the autonomous regions. The regional government here consists of the executive and the legislative powers from each Autonomous Region.

However, the decentralisation of government must remain in line with the basic principle of the Regional Government Laws, which stipulates that Indonesia adopts the principle of unitary state, in the sense that decentralisation in Indonesia is decentralisation within a unitary state. The autonomy given to the Autonomous Regions does not mean that they have sovereignty as a state. They derive their authority from the State and are a part of the State; they are given the authority to stand on their own feet but are not separate or of equal rank with the State. The State or the Central Government has the last say on the limits of the autonomy.

(3) Judicial System

Indonesian judicial system consists of civil and administrative courts. The court is divided into 3 levels, namely: (i) the District Court (court of first instance), (ii) High Court, and (iii) Supreme Court.

All civil cases as well as most commercial cases will be brought in the daily courts of first instance (a special Commercial Court has been established for certain matters such as bankruptcy and trade/service mark disputes). There is no limitation as to the amount involved in civil cases. All civil cases, notwithstanding the total amount involved, may be brought before the daily District Court.

There are no uniform rules of Civil Procedure. The Emergency Law No. 1 of 1951 (State Gazette 1951 No. 9) established a single unified court system. Prior to this, during the colonial period, the Dutch established a plural court system. At the time Emergency Law No. 1 was enacted it was anticipated that a new Civil Procedure Law would soon be adopted.

To date, no such code has been enacted and the provisions of Emergency Law No. 1 continue to be in force. Emergency Law No. 1 provides for 2 Dutch colonial laws relating to the Civil Procedure in the courts in Indonesia. In the Courts of Java and Madura islands, the Het Herziene Indonesisch Reglement of 1847 (or "**Revised Indonesian Regulation**" - "**H.I.R.**") is applied and in the other islands in Indonesia outside Java and Madura, the Rechstreglement Buitengewesten ("**R.Bg**") is applied. R.Bg essentially follows the H.I.R. but provides for longer terms of notice, service and limitation period. When H.I.R. or R.Bg is silent on a particular matter, the courts turn to Het Reglement of de Burgelijke Rechtsvordering voor de Rad van Justitie op Java en het Hoogerechtshof van Nederland - Indie also known as the Reglement op de Rechvordering ("**R.V.**") (Staatsblad 1847 No. 52 as frequently amended).

The practice of resorting to the R.V. when the H.I.R. is silent is standard practice among the judges in Indonesia and the areas of procedure to which it has been applied are well known and frequently relied upon.

Under Indonesian law, judges are not bound by prior decisions of the High Court or the Supreme Court. Nevertheless, they are known to apply such decisions whether by way of consensus among the judges or because of the persuasive weight of such decisions. This again inevitably leads to some element of uncertainty for any litigation process since there are no official rules to govern the use of prior authorities. Hence, it cannot be said with any degree of certainty given that there are no official rules to govern the use of previously decided cases.

In general, the party who asserts any fact has the burden of proving its existence. Since Indonesian Civil Procedure does not allow for any form of pre-trial discovery, this burden of proof is in practice extremely difficult to discharge. In addition, there are no clear standards, which determine when the burden has been satisfied. Hence, the discretion given to the judges in the District Court makes it extremely difficult to challenge findings of fact on appeal.

Execution of a Judgment

In order for a final and binding court judgment to be executed, the party who in whose favor judgment is given must apply to the Chairman of the District Court for execution (the "**Fiat Executie**") of such judgment.

The District Court upon receipt of the Fiat Executie will within a period of time which is entirely within the discretion of the court, since this is not regulated by the H.I.R., call the party against whom judgment is given to fulfill the obligations set put in the judgment, at the latest within 8 days thereof.

If that party still fails to comply, the Chairman of the Court may issue a written order to attach (secure) the property of that party (movables as well as immovable) the value of which according to his evaluation will be adequate to fulfill the judgment debt and the execution fee. The sale of property must be carried out by the State Auction Office. The above process may take up to 1 year to complete.

Recognition of Foreign Judgments

A judgment of a foreign (non-Indonesian) court will generally not be enforceable by the courts in the Republic of Indonesia, owing to the principle of territorial sovereignty a judgment delivered in one country cannot have a direct operation of its own force in another. In the absence of international agreement stipulating to the contrary, decisions of foreign courts cannot have direct effect in the territory of the Republic of Indonesia. Therefore all other foreign judgments would have to be re-examined before an Indonesian court in order to enforce the claim on the subject of the foreign judgment in the Republic of Indonesia.

(4) Arbitration and Enforcement of Arbitral Awards

Pursuant to Law Number 30 of 1999 on Arbitration and Alternative Dispute Settlement ("**Law 30/1999**"), it is stated that in the event it has been agreed by the parties in the agreement that a dispute between them will be settled by arbitration, then it will only be the arbitration institution stated in the agreement, not the District Court who will be authorized to adjudicate such dispute.

Indonesian National Board of Arbitration (Badan Arbitrase Nasional Indonesia – BANI) is one of the arbitration institution referred by the Law 30/1999. BANI was established in 1977 in Jakarta by the Indonesian Chamber of Commerce and Industry (Kamar Dagang Industri Nasional - "KADIN") by Decision Number SKEP/152/DPN/1977 as a private arbitration institution in Indonesia. Although BANI is closely related to KADIN, in its work it is completely independent and free from the intervention of any other body or authority.

The creation of BANI in 1977 marked the growing importance of commercial arbitration in Indonesia as a better alternative for resolving disputes in comparison to court settlements. It is also important to note that another arbitration institution came into being under the name of Badan Arbitrasi Syariah Nasional (BASYARNAS - the Islamic National Board of Arbitration) and Badan Arbitrase Pasar Modal Indonesia (BAPMI – the Indonesian Capital Market Board of Arbitration).

BANI's Rules of Arbitral Procedure ("**Bani Rules**") are based partly on the Uncitral Arbitration Rules. The Rules, which came into force on 3 December 1977, were revised in 1980. According to Law 30/1999, the parties are free to decide the arbitration procedures as long at the rules are in line with Law 30/1999 .

Enforcement of International Arbitral Awards

Based on Presidential Decree No. 34 Year 1981 dated 5 August 1981, Indonesia has ratified the "Convention on the Recognition and Enforcement of Foreign Arbitral Awards" (New York Convention). Indonesia is also a member of the "Convention on Settlement of Investment Disputes between States and Nationals of other States (ICSID)", which was ratified by Law No. 5 Year 1968 ("**ICSID Convention**").

Implementation of the New York Convention and ICSID Convention is further stipulated in Law 30/1999.

Law 30/1999 defines an international arbitral award as an award rendered by an arbitration body or an individual arbitrator "outside" the jurisdiction of the Republic Indonesia, or an award of an arbitration body or individual arbitrator, which pursuant to the provisions of the law of the Republic of Indonesia is considered to be a final International arbitral award.

Furthermore, Law 30/1999 stipulates that an international arbitration award is only to be recognised and enforced within the jurisdiction of the Republic of Indonesia if it meets the following requirements:

1. the award is rendered by an arbitration body or an individual arbitrator in a country which is bilaterally or multilaterally bound with Indonesia to an international convention regarding the recognition and enforcement of International arbitration awards;

2. the international arbitral awards are only limited to awards which according to the Indonesian law falls within the definition of commercial law;

3. the international arbitral awards are not in contravention of public order under the Indonesian law; and

4. an authorisation ("**exequatur**") has been given by the Head of the Central Jakarta District Court.

The procedures to obtain exequatur are as follows. The Regulation appoints the District Court of Central Jakarta to handle issues related to the recognition and enforcement of foreign arbitral awards. The application for the execution of an International arbitral award may only be made after it has been registered with the clerk's office of the Central Jakarta District Court.

After the Head of Central Jakarta District Court has issued the exequatur, further enforcement is delegated to the Head of the District Court which is authorised to execute it.

(5) Foreign Investment

Foreign investments in Indonesia are generally governed by Law No. 25 of 2007 on Investment (the "**Investment Law**") and its ancillary regulations. All matters relating to direct investments are handled by the BKPM, which has been given comprehensive authority in a series of investment regulations since 1973.

An important feature of the Investment Law is the guarantee that the Government will not nationalise a foreign investment or revoke rights to control a foreign investment, except where it is declared by law to be in the national interest to do so and then only upon payment of fair compensation. This guarantee is accompanied by assurances that the foreign investors shall have: (i) the right to transfer its assets to the party designated by the foreign investor; and (ii) the right to repatriate capital, profits, interests, funds which are required for purchasing raw materials and replacing capital goods, dividens, additional funds required to finance the investment, royalties, income of a foreign citizen working in a foreign investment company, compensation on loss, compensation on acquisition, sale or liquidation proceeds as well as payment which are required to be made for technical and manajement services. The Investment Law provides for arbitration of investments disputes, thus allowing for such disputes to be submitted to international arbitration under the World Bank's ICSID rules

Ownership Restrictions and Divestment Rules

1. *Time Limits*

   The Investment Law stipulates that a foreign investment permit or also known as a business license ("**Izin Usaha**") is required to be obtained by the foreign investment company in order to enable the said company in commencing with its operational activity/commercial production and such Izin Usaha shall be valid for so long the said company carries out its business activity.

2. *Wholly-Owned or Joint Ventures Companies*

   Pursuant to the Investment Law, foreign equity investment must be in the form of an Indonesian limited liability company (perseroan terbatas), which can either be wholly foreign owned or a joint venture with one or more Indonesian partners. Note that the foreign individuals or foreign legal entities may be founders of such companies.

   Subject to restriction in point 3 below, the foreign investors are permitted to have a wholly-owned foreign investment without having a local participation in the shares. Please note that if the foreign investment is intended to be 100% foreign owned, the investors should always bear in mind the mandatory requirement under Law No.40 of 2007 on Limited Liability Company (the "**Company Law**") which requires companies to have at least 2 shareholders.

3. *Permitted Investment Structures*

   In a major change to the previous approach, the Indonesian government has declared that all areas of business activities would be open for foreign direct investment, except those fields, which were listed in the appendices to Presidential Decision Number 36 of 2010. This Presidential Decision and the lists attached thereto constitute the so-called Negative List on Investment ("**Daftar Negatif Investasi**").

Incentives

1. *Income tax*

Tax incentives such as tax holidays that were formerly made available to foreign investment companies were ended by the 1983 tax reforms, which involved the replacement and simplification of all Indonesias major tax laws. Nevertheless provision remains in the Investment Law for such incentives to be reintroduced.

Government Regulation No. 1 of 2007 dated 2 January 2007 as amended by Government Regulation No. 62 of 2008 dated 23 September 2008 on Income Tax Facilities for Investment in Certain Business Fields and/or Certain Areas provides that certain business (among others animal husbandry, geothermal power, textile, oil refinery) and certain business which are located in certain areas, may be afforded income tax facilities (based on a minister of finance decree).

The facilities, which may be offered are:

a. reduction in net income by 30% of the amount invested;

b. accelerated depreciation and amortisation;

c. losses carried forward within the period of more than 5 years but not exceeding 10 years;

d. dividend tax of 10% or lower if a double tax agreement allows.

2. *Value Added Tax*

Under value added tax law, a 10% VAT tax is payable upon the importation of or delivery of goods or equipment, and on services. For manufacturers and providers of so-called VAT taxable services, this tax is attributable as an input tax against the VAT charged on the sale of their products or service, or output tax. Further, the value added tax law also exempts a range of goods from VAT which includes mining or drilling products which are directly retrieved from the source, primary products required by the public, food and drinks served in hotel & restaurant and the equivalent, money, gold bullion, securities. While, exempt services relate among others to health medical, social, mailing letters with stamp, insurance, finance, religious, education, art, broadcasting with a non-advertisement nature, manpower, land, sea and air domestic public transportation which forms an integrated part of an international air transportation service, catering, services provided by the government in the course of executing government in general, parking, public telephone, remittance by postal, and hotel.

3. *Import Duty*

Based on the Regulation of the Minister of Finance No. 176/PMK.011/2009 dated 16 November 2009 as amended by Regulation of the Minister of Finance No. 76/PMK.011/2012 dated 21 May 2012, it is stipulated that no import duty shall be imposed for the import of machineries and materials required in the tourism and culture business activities. The said incentive is granted for so long the said machineries and materials are: (i) still not produced domestically, (ii) are produced domestically however are not in compliance with the required specification, and (iii) produced domestically with a limited amount, based on the list of machineries and materials set out by the relevant minister.

The above incentive is granted on the basis of an approved Master List, which must be filed and processed after a proposed investment has received approval (as described below). Please note that the incentive shall be valid for 2 years as of the approval date of the Master List and shall be subject to extension with the time period as set out under the relevant investment approval.

(6) Foreign Exchange Controls

In order to boost the national economic development, the most important instrument and financial source is the Foreign Exchange. The fact that Indonesia has in practice adopted an "open-door" foreign exchange system must be understood as part of the new Indonesian economic policies to invite foreign investments, which was started in 1967. Under the Investment Law, a foreign capital investment company established under the laws of, and domiciled, in Indonesia may repatriate capital, profits, interests, funds which are required for purchasing raw materials and replacing capital goods, dividends, additional funds required to finance the investment, royalties, income of a foreign citizen working in a foreign investment company, compensation on loss, compensation on acquisition, sale or liquidation proceeds as well as payment which are required to be made for technical and manajement services.

To increase the foreign exchange income, since 1970 the Indonesian Government has implemented the free Foreign Exchange System. However, since the system was never proceeded with a Foreign Exchange Flow monitory policy and Exchange Rate System Policy, it is most likely that a negative impact on the national economy may surface as a result therefrom. To prevent such negative impact, the free Foreign Exchange System must be supported by a sufficient new law, which will simultaneously abolish the uncertainty of law practiced under Law No. 32 of 1964 on Exchange Control ("**Law 32/1964**"). Law Number 32/1964 has been revoked by the issue of issue of Law No. 24 of 1999 (relating to Foreign Exchange Traffic and Exchange Rate System) ("**Law 24/1999**").

Certain transactions which are defined as "Foreign Exchange Activities" are regulated under Law No. 23 of 1999 which was amended by Law No. 3 of 2004 and Law No. 6 of 2009 (which governs the Central Bank, i.e. Bank of Indonesia), Law 24/1999, Bank Indonesia Regulation No. 14/21/PBI/2012 (concerning reporting of Foreign Exchange Activities) and Bank Indonesia Circular No. 13/33/DSM dated 30 December 2011 which was amended by Bank Indonesia Circular No. 14/12/DSM dated 21 March 2012 (concerning Report of Foreign Exchange Activities by Bank) and Bank Indonesia Circular No. 14/24/DSM dated 7 September 2012 (concerning Report of Foreign Exchange Activities by Non Bank- Institutions).

1. "Foreign Exchange Activities" are defined as transfers of financial assets and liabilities between residents and non-residents, including transfers between residents of Overseas Financial Assets and Liabilities.

2. "Residents" are defined to mean persons, legal entities or other entities domiciled or planning to be domiciled in Indonesia for not less than 1 (one) year (including diplomatic representatives and diplomatic staff of the Republic of Indonesia stationed overseas).

3. "Overseas Financial Assets" are defined as residents' assets against non-residents, whether in foreign currency or in Rupiah, including but not limited to foreign currency treasury, deposits, receivables, securities, and equity participation issued by non residents and capital participation on non-residents.

4. "Overseas Financial Liabilities" are defined as residents' liabilities against non non-residents, whether in foreign currency or in Rupiah, i.e: in the form of saving owned by non-residents, trade receivables payable by non-residents, securities issued by resident to non-residents, loan from non-residents and equity from non-residents.

Any Bank or Non-Bank Financial Institution which carries out transactions of Foreign Exchange Payments has to report to Bank Indonesia, and:

1. if the transaction amount is above US$10,000 (or equivalent), the report has to be made on a per-transaction basis, or

2. if the transaction amount is US$10,000 (or equivalent) or below, the report has to be made on a collective or "lump sum" basis.

In addition, pursuant to Bank Indonesia Circular No. 14/24/DSM dated 7 September 2012 (concerning Report of Foreign Exchange Payment by Non-Bank Institutions), any company which falls within the definition of Non-Bank Institution, (i.e. total assets or gross annual sales of not less than Rp. 100,000,000,000) is obliged to report its Foreign Exchange payment .

Non-Bank Financial Institution which does not conduct Foreign Exchange payment is required to submit a duly stamped statement to confirm such condition, enclosed with its financial statement.

(7) Land and Building

Indonesian land law is to a large extent subject to the provision of Law No. 5 of 1960 on Basic Agrarian Law ("**Agrarian Law**"). The provisions of the Agrarian Law largely influenced by "adat" (custom) law.

In 1960, a national system of land law was implemented through the enactment of the Agrarian Law. This Agrarian Law sought to overcome this pluralism and provide one system of law for all Indonesian land.

Pursuant to the Agrarian Law and Article 33 paragraph (3) of the Constitution, the State has the right to control the earth, water and air space, including the natural resources contained within them. This right gives the State the authority to:

1. regulate and implement the appropriation, utilisation, reservation, and cultivation of the earth, water, and air space.

2. determine and regulate the legal relations between persons concerning the earth, water, and air space.

3. determine and regulate the legal relations between persons and legal acts concerning the earth, water and air space.

Land Ownership

The Agrarian Law recognises several types of land tenure, in which all of these rights allow the holder to utilise the land concerned, they differ in their duration, in the nature of utilisation allowed and in the ability of the right to be used for security purposes. The following 5 are the most important:

1. "Hak Milik" (Right to Ownership)

A hak milik or commonly abbreviated as "HM" is a right of (freehold) ownership and is the fullest right a person can possess over land in Indonesia. This right of ownership has no time limit. Hak milik is available only to individuals who are Indonesian citizens and to certain legal entities formed by the Indonesian government, such as state banks. Other legal entities or foreign persons are not entitled to hold hak milik on Indonesian land. The holder of hak milik has the power to grant the rights of hak guna bangunan (right to build) or hak pakai (right to use) over hak milik. A hak milik is conveyed by executing a deed executed in front of the Land Deed Office reflecting the desired transaction.

2. "Hak Guna Bangunan" (Right to Build)

A hak guna bangunan or commonly abbreviated as "HGB" is a leasehold interest which may be held by Indonesian individuals and legal entities that is established and domiciled in Indonesia. Foreign joint venture companies are eligible to hold a hak guna bangunan. A hak guna bangunan is limited in duration, usually issued for a maximum of 30 years, which can thereafter be extended for another 20 years with the possibility for renewal. A hak guna bangunan is ordinarily granted on government owned land. This right is intended for the utilisation of land in which buildings or facilities are located as opposed to the use of land for agricultural purposes.

3. *"Hak Guna Usaha" (Right to Cultivate)*

   A hak guna usaha or commonly abbreviated as "HGU" is a leasehold interest and generally issued on state owned land to Indonesian individuals or legal entities, including joint venture companies, for agriculture, fisheries, and animal husbandry activities. A hak guna usaha is limited in duration, usually a maximum of 35 years with the possibility of a 25 year extension provided that the company is still running properly.

4. *"Hak Pakai" (Right of Use)*

   This is a leasehold interest in land, which may be granted on government owned land and hak milik. A hak pakai or commonly abbreviated as "HP" is the right to use and/or to collect products from land. A hak pakai is limited in duration by contract or decree. As the case may be, such right is usually granted for a maximum of 25 years, and can thereafter be extended for another 20 years. Foreign entities having representative office or individuals residing in Indonesia as well as joint venture company can hold hak pakai.

5. *"Hak Pengelolaan" (Management Right)*

   A hak pengelolaan or commonly abbreviated as "HPL" is a right to control and administer the land, which can generally be given only to government authorities, state agencies and state enterprises. The holder of HPL has the right to transfer (part of) the land on which HPL rests or to create or vest certain land rights on the land. The holder of HPL can create a "hak guna bangunan" (right to build - a right to erect and own buildings on land – a maximum of 30 years, which can be extended) or the "hak pakai" (right to use - a subsidiary right in land - a maximum of 25 years, which can be extended) in favour of foreign investors.

Registration of Ownership

The implementation regulation of the Agrarian Law as set forth under Government Regulation Number 24 of 1997 on Land Registration imposes the obligation to register the land rights. It is important to note that based on this regulation, the Indonesian land registration system does not guarantee the indefeasibility of the title by registration, even though the land office will closely examine all the land documents before accepting to register the title. This means that the law recognises and accepts the registration of the title (as evidenced by the certificate of land title registration), as a strong evidence of the land right concerned, except if it is proven to the contrary by another party. Nevertheless, registration of a newly granted title is a condition of its creation.

Land Rights of Foreign Investment Companies

There is legislation restricting the access to property market for overseas investors. Foreign persons who resides in Indonesia can only hold (i) hak pakai and (ii) hak sewa (right of lease). Foreigners are entitled to own one residential by way of an agreement with the holder of certain land titles for a maximum of 25 years, which is extendable for another period of 20 years. This ownership right has to be registered with the Agrarian Land Office.

Foreign joint venture companies established under Indonesian law can only own (i) hak guna usaha, (ii) hak guna bangunan and (iii) hak pakai, provided that the land are necessary for the purposes of the investment project being undertaken by such companies. Foreign entities having representative offices in Indonesia can only own a hak pakai.

Sales and Purchase of Land

Any sale and purchase of land must be effected by the execution of a Deed of Sale and Purchase of Land in front of a Land Deed Officer (Pejabat Pembuat Akta Tanah - "PPAT"). The entering into the Deed of Sale and Purchase of Land, will proof that the judicial delivery had been executed, and that the land transfer transaction has been completed before the Land Deed Officer.

Following to the execution of the Deed of Sale and Purchase of Land, such transfer will be registered by the head of the Land Registry Office in the "Land Book" as well as "Certificate". Registration is a strong evidence to the legality of the transfer of title to the purchaser. On the account of general nature of the registration, the entry in the Land-Book will function as a confirmation to the third parties of the buyer's status as the new land owner, and the certificate will function as evidence of ownership of the land towards the third parties.

Mortgages

Mortgage is a real right on immovable assets to secure payment of a debt. Only immovable assets can be mortgaged. Mortgage can only be established on the following land titles: (i) Right of Ownership (Hak Milik), (ii) Right to Use (Hak Guna Usaha), (iii) Right to Build (Hak Guna Bangunan), and (iv) Right to Use (Hak Pakai) on State Land which under applicable laws shall be registered and are by nature transferable.

Under Law Number 4 of 1996 on Security Interests on Land and Objects related to Land, a mortgage established on land can also include existing or future buildings, plants and fixtures which constitute a unity with the respective land.

The mortgage right follows the secured object regardless of ownership, so long as the mortgage right has not been deleted.

A mortgage right shall be deleted based on the following reason:

1. the debt secured by the mortgage right is void;

2. the holder of the mortgage right releases the mortgage right;

3. the mortgage right is released pursuant to the stipulation of ranking by the Head of District Court; and

4. the land title secured by the mortgage right is void.

Lease of Land and/or Building

Basically a lease agreement possess the nature that one party delivers a particular good to another party to be used for a certain definite period. The other party pays rent periodically. As a rule the lessee is obliged to maintain the land and/or building as if they belong to him (Article 1560 Indonesian Civil Code).

In the event that the leased land and/or building is sold, it will not cause the termination of the lease agreement. The new owner is bound by the terms of the lease agreement made by the former owner (Article 1576 Indonesian Civil Code).

The owner is not entitled to terminate the lease agreement on grounds that he intends to use the land and/or building himself, unless otherwise agreed by the parties (Article 1579 Indonesian Civil Code).

(8) Environmental Protection Regulations

Every business activity that may cause substantial and important effect towards its environment must undergo environmental impact assessments (AMDAL). Such activities covers the fields of mining and energy, health, public works, agriculture, tourism, transmigration, manufacturing, industry, communications, trade, defense and security, nuclear energy, forestry, toxic and hazardous materials management and integrated multi-sectoral activities. In many cases a project's threshold size is defined, in which the environmental assessment is required, e.g.: recreational park – 100 hectares.

Companies that satisfy the above condition are not required to conduct environmental impact assessments. However they are obliged to obtain a Plan for Environmental Management and Plan for Environmental Monitoring issued by the regional government, office of environmental services.

Further, companies who are not required to obtain the Plan for Environmental Management and Plan for Environmental Monitoring shall be obliged to submit a Statement Letter on the Ability to Manage and Monitor the Environment to the head of the environment institution located at the relevant region/city, for approval.

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF KOP PROPERTIES PTE. LTD. AND ITS SUBSIDIARIES FOR FINANCIAL YEARS ENDED 31 MARCH 2011, 2012 AND 2013

31 March 2014

The Board of Directors
KOP Properties Pte. Ltd.
152 Beach Road
#27-01, The Gateway East
Singapore 189721

Dear Sirs

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of KOP Properties Pte. Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group as at 31 March 2011, 2012 and 2013 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the financial years ended 31 March 2011, 2012 and 2013, and a summary of significant accounting policies and other explanatory information, as set out on pages G-3 to G-74.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of financial statements in accordance with Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 judgement, 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 and fair presentation of the financial statements 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 are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 March 2011, 2012 and 2013, and of the results, changes in equity and cash flows of the Group for the financial years ended 31 March 2011, 2012 and 2013.

Other matter
This report has been prepared solely to you as a body and for the inclusion in the Circular to the shareholders of Scorpio East Holdings Ltd. to be issued in connection with the proposed acquisition of the entire issued and paid-up capital of KOP Properties Pte. Ltd. and for no other purpose.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Tay Hwee Ling
Partner

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the financial years ended 31 March 2011, 2012 and 2013

	Note	31 March 2011 $ (Restated)	31 March 2012 $ (Restated)	31 March 2013 $
Revenue	4	6,098,570	11,999,891	41,046,294
Cost of sales		-	-	(22,375,544)
Gross profit		6,098,570	11,999,891	18,670,750
Gain from bargain purchase	5	14,534,625	2,087,148	-
Other income / (expense) - net	4	28,045	998,555	2,127,989
Administrative expense		(5,130,729)	(8,697,669)	(14,978,872)
Finance expense	6	(100,307)	(1,476,169)	(1,485,451)
Share of results from interest in associate		1,625,994	5,775,428	1,097,844
Share of results from investment in an associated company	15	-	(240,000)	-
Profit before tax		17,056,198	10,447,184	5,432,260
Income tax expense	7	(791,000)	(1,875,525)	(4,039,392)
Profit for the year	8	16,265,198	8,571,659	1,392,868
Other comprehensive (loss) income:				
Items that will be reclassified subsequently to profit or loss				
Currency translation differences arising from consolidation		-	(873)	89,097
Total comprehensive income		16,265,198	8,570,786	1,481,965
Profit attributable to:				
Equity holders of the Company		16,275,575	8,606,805	1,393,468
Non-controlling interest		(10,377)	(35,146)	(600)
		16,265,198	8,571,659	1,392,868
Total comprehensive income attributable to:				
Equity holders of the Company		16,275,575	8,605,932	1,482,668
Non-controlling interest		(10,377)	(35,146)	(703)
		16,265,198	8,570,786	1,481,965
Earnings per share for profit attributable to equity holders of the Company ($ per share)				
- Basic and Diluted	9	3.26	0.47	0.08

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the financial years ended 31 March 2011, 2012 and 2013

	Note	2011	2012	2013
		$	$	$
		(Restated)	(Restated)	
ASSETS				
Current assets				
Cash and bank balances	10	4,544,856	8,293,156	2,334,699
Trade and other receivables	11	20,016,617	83,586,685	15,828,299
Other current assets	12	24,006	4,382,950	2,252,545
Development properties	13	12,316,253	27,157,478	30,002,450
Inventories	14	-	-	236,894
		36,901,732	123,420,269	50,654,887
Non-current assets				
Investment in an associated company	15	-	-	-
Interest in associate	16	37,039,191	46,275,597	44,927,395
Available-for-sale investments	17	2,000,000	2,000,000	2,000,000
Property, plant and equipment	18	820,394	4,256,137	34,727,536
Intangible assets	19	-	-	2,311
Deferred tax assets		897,255	1,720,575	1,063,565
		40,756,840	54,252,309	82,720,807
Total assets		77,658,572	177,672,578	133,375,694
LIABILITIES				
Current liabilities				
Trade and other payables	20	26,560,429	24,852,147	37,757,534
Borrowings	21	19,966,875	29,639,915	34,684,808
Sales proceeds received in advance	22	-	-	3,380,190
Current tax liabilities		1,700,077	3,404,732	4,406,883
		48,227,381	57,896,794	80,229,415
Non-current liabilities				
Borrowings	21	98,028	-	15,304,657
Sales proceeds received in advance	22	10,216,069	17,846,796	7,405,643
Deferred tax liabilities	23	1,157,863	1,559,334	1,834,912
		11,471,960	19,406,130	24,545,212
Total liabilities		59,699,341	77,302,924	104,774,627
NET ASSETS		17,959,231	100,369,654	28,601,067
EQUITY				
Share capital	24	5,000,000	78,840,000	15,000,000
Other reserve	32	-	-	(1,683,990)
Foreign currency translation reserve		-	(873)	88,327
Retained profits		12,923,722	21,530,527	13,943,995
Shareholder's equity		17,923,722	100,369,654	27,348,332
Non-controlling interest		35,509	-	1,252,735
Total equity		17,959,231	100,369,654	28,601,067

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 March 2011, 2012 and 2013

	Note	← Attributable to equity holders of the Company →						
		Share capital $	Other reserve $	Retained profits $	Foreign currency translation reserve $	Total $	Non-controlling interest $	Total equity $
2013								
Balance at 1 April 2012		**78,840,000**	**-**	**21,530,527**	**(873)**	**100,369,654**	**-**	**100,369,654**
Reduction of shares		(63,840,000)	-	-	-	(63,840,000)	-	(63,840,000)
Profit for the year		-	-	1,393,468	-	1,393,468	(600)	1,392,868
Currency translation differences arising from consolidation		-	-	-	89,200	89,200	(103)	89,097
Total comprehensive income for the year		-	-	1,393,468	89,200	1,482,668	(703)	1,481,965
Acquisition of subsidiaries	32(c)	-	(1,683,990)	-	-	(1,683,990)	1,253,438	(430,552)
Dividends paid	25	-	-	(8,980,000)	-	(8,980,000)	-	(8,980,000)
Balance at 31 March 2013		**15,000,000**	**(1,683,990)**	**13,943,995**	**88,327**	**27,348,332**	**1,252,735**	**28,601,067**
2012								
Balance at 1 April 2011 (Restated)		**5,000,000**	**-**	**12,923,722**	**-**	**17,923,722**	**35,509**	**17,959,231**
Issue of shares		73,840,000	-	-	-	73,840,000	-	73,840,000
Total comprehensive income for the year		-	-	8,606,805	(873)	8,605,932	(35,146)	8,570,786
Acquisition of additional interest in a subsidiary		-	-	-	-	-	(363)	(363)
Balance at 31 March 2012 (Restated)		**78,840,000**	**-**	**21,530,527**	**(873)**	**100,369,654**	**-**	**100,369,654**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the financial years ended 31 March 2011, 2012 and 2013

		← Attributable to equity holders of the Company →						
	Note	Share capital $	Other reserve $	Retained profits $	Foreign currency translation reserve $	Total $	Non-controlling interest $	Total equity $
2011								
Balance at 1 April 2010 (Restated)		**5,000,000**	-	**(3,351,853)**	-	**1,648,147**	**-**	**1,648,147**
Total comprehensive income for the year		-	-	16,275,575	-	16,275,575	(10,377)	16,265,198
Acquisition of a subsidiary	32(a)	-	-	-	-	-	2,175	2,175
Capital injection by non-controlling interest		-	-	-	-	-	43,711	43,711
Balance at 31 March 2011 (Restated)		**5,000,000**	**-**	**12,923,722**	**-**	**17,923,722**	**35,509**	**17,959,231**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the financial years ended 31 March 2011, 2012 and 2013

	31 March 2011 $ (Restated)	31 March 2012 $ (Restated)	31 March 2013 $
Operating activities			
Profit before tax	17,056,198	10,447,184	5,432,260
Adjustments for:			
- Impairment of interest on notes receivable from an associated company	-	2,534,335	-
- Depreciation of property, plant and equipment	74,907	186,675	574,101
- Amortisation of intangible assets	-	-	867
- Gain on disposal of property, plant and equipment	-	(40,164)	-
- Gain on disposal of an associate	-	-	(240,000)
- Gain from bargain purchase	(14,534,625)	(2,087,148)	-
- Finance expense	100,307	1,476,169	1,485,451
- Interest income	(32,244)	(3,507,225)	(775,725)
- Share of loss of associate	-	240,000	-
- Unrealised exchange loss, net	-	-	96,781
- Share of results of associates	(1,625,994)	(5,775,428)	(1,097,844)
	1,038,549	3,474,398	5,475,891
Changes in working capital			
- Trade and other receivables	(3,931,144)	(614,932)	5,001,074
- Other current assets	(5,118)	(4,358,944)	(1,456,585)
- Development properties	(1,821,026)	(14,811,368)	(1,437,372)
- Inventories	-	-	(224,973)
- Trade and other payables	3,955,344	10,127,979	16,819,499
- Sales proceeds received in advance	5,742,188	7,630,727	(7,060,963)
Cash generated from operating activities	4,978,793	1,447,860	17,116,571
Interest paid	(2,723)	(1,373,702)	(2,733,903)
Interest received	32,244	4,062	37,717
Income tax paid	(269,292)	(720,009)	(2,104,653)
Net cash generated from (used in) from operating activities	4,739,022	(641,789)	12,315,732
Investing activities			
Purchase of property, plant and equipment	(705,801)	(3,752,267)	(5,555,301)
Proceeds from disposal of property, plant and equipment	-	170,000	86,217
Acquisition of additional interest in a subsidiary	-	(363)	-
Acquisition of interest in associate	(19,090,909)	(1,500,001)	-
Acquisition of a subsidiary, net of cash acquired (Note 32)	(2,330,752)	-	(7,162,206)
Net cash used in investing activities	(22,127,462)	(5,082,631)	(12,631,290)
Financing activities			
Proceeds from borrowings	19,850,000	14,600,135	6,111,872
Repayment of borrowings	-	(5,000,000)	(2,402,810)
Increase in restricted cash placed in escrow accounts	-	-	(244,423)
Repayment of lease liabilities	(17,681)	(127,415)	(37,950)
Capital contribution by non-controlling interest	43,711	-	-
Dividends paid to equity holders of the Company (Note 25)	-	-	(8,980,000)
Net cash provided by/(used in) financing activities	19,876,030	9,472,720	(5,553,311)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the financial years ended 31 March 2011, 2012 and 2013

	31 March 2011 $ (Restated)	31 March 2012 $ (Restated)	31 March 2013 $
Net increase (decrease) in cash and bank balances	2,487,590	3,748,300	(5,868,869)
Cash and cash equivalents at beginning of financial year	2,057,266	4,544,856	8,293,156
Effect of currency translation on cash and cash equivalents	-	-	(334,011)
Cash and cash equivalents at end of the financial year (Note 10)	4,544,856	8,293,156	2,090,276

Significant non-cash transactions

FY 2011

(i) The Group acquired property, plant and equipment with an aggregate cost of $840,801 of which $135,000 was acquired by means of finance lease. Cash payment of $705,801 were made to acquire property, plant and equipment.

FY 2012

(i) The Group issued 10,000,000 ordinary shares for a consideration amounting to $10,000,000 to its immediate holding corporation. The consideration was paid by way of capitalisation of the amount owing to the immediate holding corporation (Note 24).

(ii) The Group issued 4,736,842 ordinary shares with the value of $63,840,000 to a related corporation in consideration for acquisition of the issued share capital and discounted notes of an associated company (Note 24).

FY 2013

(ii) The Group distributed its investment in the equity share and discounted notes of a related corporation to its immediate holding corporation through a capital reduction of 4,736,842 ordinary shares of the Group (Note 24).

(iii) The Group acquired property, plant and equipment with an aggregate cost of $5,954,291 of which $398,990 was acquired by means of finance lease. Cash payment of $5,555,301 were made to acquire property, plant and equipment.

See accompanying notes to financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 31 March 2011, 2012 and 2013

These notes form an integral part of and should be read in conjunction with the accompanying consolidated financial statements.

1. General information

KOP Properties Pte Ltd (the "Company") is incorporated and domiciled in Singapore. The address of its registered office and principal place of activity is 152 Beach Road, #27-01, The Gateway East, Singapore 189721.

The principal activity of the Company is that of investment holding, including business and investment management, asset management and consultancy services. The principal activities of its subsidiaries are disclosed in Note 34.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of KOP Properties Pte Ltd on 31 March 2014.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost basis, except as disclosed in the accounting policies below.

Interpretations and amendments to published Financial Reporting Standards

On 1 April 2012, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 April 2013 or later periods:

- FRS 110 – *Consolidated financial statements* (effective for annual periods beginning on or after 1 January 2014)

  FRS 110 replaces all of the guidance on control and consolidation in FRS 27 "Consolidated and Separate Financial Statements" and INT FRS 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess.

  The Group has early adopted FRS 110 and determined that it does not have control over certain entities even though it owns 100% of their ordinary share capital. Further disclosures are found in Note 3.

- FRS 111 – *Joint arrangements* (effective for annual periods beginning on or after 1 January 2014)

  FRS 111 introduces a number of changes. The "types" of joint arrangements have been reduced to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated and equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations currently.

  The Group has early adopted FRS 111 and determined that there is no material impact to the Group.

- FRS 112 – *Disclosures of interests in other entities* (effective for annual periods beginning on or after 1 January 2013)

  FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities.

  The Group has early adopted FRS 112 and determined that there is no material impact to the Group.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

- FRS 113 – *Fair value measurements* (effective for annual periods beginning on or after 1 January 2013)

  FRS 113 provides consistent guidance across FRS on how fair value should be determined and which disclosures should be made in the financial statements. The Group will apply FRS 113 prospectively from 1 April 2013.

Management anticipates that the adoption of the other FRSs, INT FRSs and amendments to FRS except for the adoption of FRS 110, issued but only effective in future periods will not have any material impact on the financial statements of the Group in the period of their initial adoption.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of development properties and provision of services in the ordinary course of the Group's activities. Revenue is presented net of goods and services tax, rebates and discounts.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Revenue from sales of properties

For overseas properties, revenue and cost on development properties that have been sold are recognised using the completed-contract method. Under the completed-contract method, revenue and cost on development properties that have been sold are recognised when the construction of the development properties is completed and the risks and rewards of ownership have been transferred to the buyer through either the transfer of legal title or the transfer of an equitable interest in a property.

When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised in full as an expense immediately.

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) Rendering of service

(i) Real estate origination and management services
Management fee from real estate origination and coordination services are recognised when the services are rendered.

(ii) Hotel and resort operation
Hotel room revenue is recognised based on room occupancy while other hospitality related revenue is recognised when the goods are delivered or the services are rendered to the customers.

(iii) Commission income
Commission income is recognised when the services are rendered.

(c) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.3 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.4 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund and the state-managed retirement benefit scheme in Indonesia, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2. Significant accounting policies (continued)

2.5 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.6 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

2. Significant accounting policies (continued)

2.6 Income tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

2.7 Foreign currency transactions and translation

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

2. Significant accounting policies (continued)

2.7 Foreign currency transactions and translation (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

2. Significant accounting policies (continued)

2.8 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries. Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

2. Significant accounting policies (continued)

2.8 Basis of consolidation (continued)

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the 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 interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

2.9 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

2. Significant accounting policies (continued)

2.9 Business combinations (continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

2. Significant accounting policies (continued)

2.9 Business combinations (continued)

(i) *Business combination under common control*

Business combinations involving entities under common control are accounted for using merger accounting.

The net assets of the combining entities or businesses are consolidated using the existing book values from the date of the acquisition.

Any excess or shortfall of the consideration paid over the net book values of the acquiree is recognised as a component under equity as "other reserve".

2.10 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2. Significant accounting policies (continued)

2.11 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, on the following bases:

	Useful lives
Leasehold land and building	26 to 50 years
Computer	1 to 4 years
Furniture and fittings	5 years
Motor vehicles	5 years
Boats	5 years
Office equipment	1 to 5 years
Hotel equipment	3 to 5 years

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2. Significant accounting policies (continued)

2.12 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

2.13 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

2. Significant accounting policies (continued)

2.13 Impairment of tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.14 Financial instrument

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

(ii) Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

2. **Significant accounting policies** (continued)

2.14 Financial instrument (continued)

(ii) Financial assets (continued)

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale equity investments
Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

(iii) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

2.14 Financial instrument (continued)

(iii) Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 14 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

2. Significant accounting policies (continued)

2.14 Financial instrument (continued)

(iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(v) Financial liabilities and equity instruments

Classification as debt or equity
Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

2. Significant accounting policies (continued)

2.14 Financial instrument (continued)

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.15 Development properties

Development properties held for sale are those which are intended for sale in the ordinary course of business. Development properties held for sale which are unsold are carried at the lower of cost and estimated net realisable value. Cost of development properties held for sale includes land, construction and related development costs and interest on borrowings obtained to finance the purchase and construction of the properties. Net realisable value represents the estimated selling price in the ordinary course of business less costs to complete the development and selling expenses.

2.16 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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. Significant accounting policies (continued)

2.17 Cash and cash equivalents

Cash and bank balances include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For the purposes of presentation in the consolidated statements of cash flows, restricted funds placed in escrow accounts are excluded.

2.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.19 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises supplies that will be used in the hospitality business. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less other costs in the provision of the hospitality services.

3. Critical accounting judgements and key sources of estimation certainty

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical accounting judgements

(i) Investment in Royce Properties Pte. Ltd. ("Royce") and Sardinia Properties Pte. Ltd. ("Sardinia"), collectively known as the "Investees"

The Investees' capital structures are made up of ordinary share capital and Other Capital (made up of Junior Notes and Preference Shares) and are in the primary business of property development. The Group holds 100% of the ordinary share capital in Royce and Sardinia and 39.93% (2012 : 39.93%, 2011 : 36.99%) in the Other Capital for Royce. The Group provides property management services to the Investees.

Control over Investees

In determining whether the Group has control over the Investees, management has considered the following:

- Power over the investee
- the exposure, or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

Management has assessed and determined that the Group does not have control over the investees as:

(i) Only the Other Capital holders of the Investees have the power to appoint directors who have power over the operating and financial decisions and the power to affect the amount of the returns to the Other Capital holders; and
(ii) The other capital holders are entitled to all the economic benefits of the Investees including all the distributable profits of the Investees.

The investments in ordinary share capital in the Investees are classified as available-for-sale investments in Note 17.

3. Critical accounting judgements and key sources of estimation certainty (continued)

(a) Critical accounting judgements (continued)

Significant influence over an investee

The Group holds 39.93% (2012 : 39.93%, 2011 : 36.99%) share in the Other Capital (defined above) in Royce which management has determined to have significant influence over Royce as the Other Capital can significantly influence the appointment of directors in Royce who have power over Royce and are able to influence the returns to the Other Capital holders. The investment in Other Capital in Royce is thus determined to be an interest in associate and the Group has equity accounted for its share of the profits in Royce. Please see further details of the interest in associate in Note 16.

(b) Key sources of estimation uncertainty

(i) Development properties

The Group assesses allowance for foreseeable losses taking into account the Group's recent experience in estimating the net realisable value of sold and unsold development properties by reference to comparable properties, timing of sale launches, location of property, expected net selling prices and development expenditure. Market conditions may, however, change which may affect the future selling prices on the remaining unsold residential units of the development properties and accordingly, the carrying value of development properties for sale may have to be written down in future periods.

At the end of the reporting period, the carrying values of unsold completed properties held for sale and unsold development properties under development are disclosed in Note 13 to the financial statements.

(ii) Gain on bargain purchase

Determining the gain on bargain purchase of the interest in associate of Royce Properties Pte. Ltd. ("Royce") requires management to estimate the fair value of the underlying assets and liabilities of Royce at the date of the acquisition and the related tax impact. The carrying amount of the interest in associate is disclosed in Note 16 to the financial statements.

3. Critical accounting judgements and key sources of estimation certainty (continued)

(b) Key sources of estimation uncertainty (continued)

(iii) Recoverability of interest in associate

Determining whether the interest in associate is impaired requires an estimation of the fair value less cost to sell of the assets held by the associate. The estimation of the selling price takes into account the prevailing market conditions, new regulations and expected discounts and subsidies. Management has evaluated and determined that there is no impairment in the interest in associate. The carrying amount of the interest in associate is disclosed in Note 16.

(iv) Recoverability of trade and other receivables

The assessment of recoverability of trade and other receivables is based on the ongoing evaluation of collectability and ageing analysis of the outstanding debts and on management's estimate of the ultimate realisation of these debts, including creditworthiness and the past collection history of each debtor. Management has evaluated the recovery of those debts based on such estimates and is confident that the allowance for doubtful debts, where necessary, is adequate. The carrying value of the trade and other receivables are disclosed in Note 11 of the financial statements respectively.

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4. Revenue and other income

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Revenue			
Management and coordination fee	6,098,570	11,999,891	12,211,482
Hotel and resort operation	-	-	4,872,874
Sale of properties	-	-	23,961,938
	6,098,570	11,999,891	41,046,294
Other income / (expense) - net			
Forfeiture of deposit	2,000	-	693,845
Interest income	32,244	3,507,225	775,725
Other income	4,600	31	64,260
Gain on disposal of property, plant and equipment	-	40,164	-
Gain on disposal of an associate	-	-	240,000
Commission income	-	-	711,741
Net exchange losses	(10,799)	(14,530)	(357,582)
Impairment of receivable (Note 11)	-	(2,534,335)	-
	28,045	998,555	2,127,989

Included in interest income for FY2012 is interest earned on notes receivable from an associated company of $2,534,335.

5. Gain from bargain purchase

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Share of fair value of interest in associate acquired	34,783,397	38,497,836	-
Deferred tax liability	(1,157,863)	(127,290)	-
Total assets acquired	33,625,534	38,370,546	-
Consideration paid	(19,090,909)	(36,283,398)	-
Gain from bargain purchase	14,534,625	2,087,148	-

6. Finance expense

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Interest expense			
- Bank borrowings	87,807	1,313,730	2,532,691
- Others	12,500	177,629	188,868
	100,307	1,491,359	2,721,559
Less: Amount capitalised in development properties (Note 13)	-	(15,190)	(1,236,108)
	100,307	1,476,169	1,485,451

7. Income tax expenses

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Tax expense attributable to profit is made up of:			
- Current income tax	791,000	1,628,436	724,803
- (Over)Under provision of current tax	-	(27,092)	77,967
- Tax penalty*	-	-	537,074
- Deferred income tax (Note 23)	-	274,181	2,699,548
	791,000	1,875,525	4,039,392

* Tax penalty expense relate to the penalty levied by overseas tax authority for late-payment of tax liabilities in prior years.

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as follows:

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Profit before tax	17,056,198	10,447,184	5,432,260
Share of profit of associates	(1,625,994)	(5,535,428)	(1,097,844)
Profit before tax and share of profit of associates	15,430,204	4,911,756	4,334,416
Tax calculated at a tax rate of 17% (2012 and 2011: 17%)	2,623,135	834,999	736,851
Effects of:			
- Statutory stepped income exemption	(38,543)	(38,719)	(45,204)
- Deferred tax assets not recognised	504,098	647,110	131,010
- Tax penalty	-	-	537,074
- Income not subject to tax	(2,974,985)	(354,815)	(40,800)
- Expenses not deductible for tax purposes	605,887	831,723	5,282,028
- Different tax rates in other countries	-	-	(1,724,745)
- Utilisation of previously unrecognised tax losses	-	(17,000)	(56,307)
- Group relief	-	-	(826,806)
- (Over)Under provision in prior years	-	(27,092)	77,967
- Others	71,408	(681)	(31,676)
	791,000	1,875,525	4,039,392

7. Income tax expenses (continued)

The Group has tax loss carryforward available for offsetting against future taxable income as follows:

	Tax losses $
At April 1, 2010	129,707
Arising during the year	2,965,285
At March 31, 2011	3,094,992
Amount utilised	(100,000)
Arising during the year	3,806,528
At March 31, 2012	6,801,520
Amount utilised	(331,218)
Arising during the year	770,648
Acquisition of subsidiary	2,598,768
At March 31, 2013	9,839,718
Deferred tax assets not recognised:	
- 31 March 2011	526,149
- 31 March 2012	1,156,258
- 31 March 2013	1,672,752

8. Profit for the year

(a) Profit for the year is arrived at after charging:

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Employee compensation	3,484,190	4,458,945	6,661,290
Employer's contribution to Central Provident Fund (included in employee compensation above)	134,017	259,606	443,985
Depreciation of property, plant and equipment (Note 18)	74,907	186,675	574,101
Amortisation of intangible assets (Note 19)	-	-	867
Impairment of receivables	-	2,534,335	-
Rental expense	2,342	17,262	455,347

(b) Fees on audit services paid/payable to auditors as follows:

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Fees on audit services paid/payable to:			
- Auditor of the Company	-	-	70,000
- Other auditors	15,229	171,453	82,797

9. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares.

	31 March 2011	31 March 2012	31 March 2013
Net profit attributable to equity holders of the Company ($)	16,275,575	8,606,805	1,393,468
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	5,000,000	18,498,706	17,958,905
Basic and diluted earnings per share ($ per share)	3.26	0.47	0.08

10. Cash and bank balances

	2011	2012	2013
	$	$	$
Cash at bank and on hand	4,544,856	8,293,156	2,090,276
Funds placed in escrow accounts	-	-	244,423
	4,544,856	8,293,156	2,334,699

Funds placed in escrow accounts relate to the minimum balance maintained with a bank to secure bank borrowings. The minimum balance is equivalent to the aggregate of six months' interest on the term loan and for twelve months since first drawdown and thereafter three months interest and principal during instalment period.

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	2011	2012	2013
	$	$	$
Cash and bank balances (as above)	4,544,856	8,293,156	2,334,699
Less: Restricted cash placed in escrow accounts	-	-	(244,423)
Cash and cash equivalents	4,544,856	8,293,156	2,090,276

11. Trade and other receivables

	2011 $	2012 $	2013 $
Trade receivables:			
- Associate	5,545,585	7,799,959	6,888,754
- Related parties	12,728	-	-
- Related corporations	-	-	124,183
- Third party	831,906	318,352	1,185,035
- Investee	1,656,360	3,919,598	3,664
	8,046,579	12,037,909	8,201,636
Notes receivable from an associated company	-	63,600,000	-
Non-trade receivables:			
- Associated company	-	2,426,970	-
- Associate	11,675	6,785	1,231,161
- Related parties (Note 30)	7,401,396	-	-
- Related corporations(Note 29(a))	23,545	378,173	572,216
- Investees	4,238,408	5,078,598	5,000,000
Income tax recoverable	128,507	-	-
Other receivables	166,507	58,250	823,286
	20,016,617	83,586,685	15,828,299

The average credit period on trade receivables is 14 days (2012 : 14 days ; 2011 14 days). No interest is charged on the first 14 days on the outstanding balance, thereafter, interest is charged at 18 % (2012: 18%; 2011: 18%) per annum.

Related parties refer to directors and close family members of the directors.

The non-trade receivables due from investees are unsecured, interest-free and repayable on demand.

The notes receivable due from an associated company are secured, interest bearing at between 3% - 10% per annum and due for repayment on 25 November 2012.

In 2012, the Group made an impairment allowance of $2,534,335 (Note 4) for the interest receivable from an associated company.

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12. Other current assets

	2011 $	2012 $	2013 $
Deposits	15,065	4,352,313	1,835,921
Prepayments	8,941	30,637	416,624
	24,006	4,382,950	2,252,545

FY 2012

Included in deposits is an amount of $3,904,400 paid in relation to an acquisition of a company.

FY 2013

Included in deposits is an amount of $1,832,920 in relation to acquisition of a resort in Indonesia (Note 33(b)).

13. Development properties

Development properties under construction consist of sold and unsold properties under development.

	2011 $	2012 $	2013 $
Development properties			
(a) Completed property held for sale	-	-	12,699,647
(b) Property under development			
Accounted for using the completed-contract method	12,316,253	27,157,478	17,302,803
	12,316,253	27,157,478	30,002,450

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13. Development properties (continued)

Development properties held for sale under construction accounted for using the completion of contract method can be analysed as follows:

	2011 $	2012 $	2013 $
Land and other related costs	2,354,559	2,354,559	2,354,559
Development cost, related overhead expenditure and financing charge incurred to-date	9,961,694	24,802,919	46,284,583
Cost of development properties	12,316,253	27,157,478	48,639,142
Transferred to cost of sales	-	-	(18,636,692)
	12,316,253	27,157,478	30,002,450

The interest expense capitalised during the financial year amounted to $1,236,108 (2012: $15,190, 2011: $Nil).

All development properties are mortgaged for bank borrowings (Note 21). Borrowing costs capitalised during the financial year were from loans borrowed specifically for the development properties.

14. Inventories

	2011 $	2012 $	2013 $
Supplies and consumables	-	-	236,894

In 2013, the inventories recognised as an expense in cost of sales amounted to $1,184,383 (2012 : $Nil; 2011 : $Nil).

15. Investment in an associated company

	2011 $	2012 $	2013 $
Equity investment, at cost	-	240,000	-
Share of losses	-	(240,000)	-
	-	-	-

The summarised financial information of associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2011 $'000	2012 $'000	2013 $'000
- Assets	-	250,956	-
- Liabilities	-	254,735	-
- Revenue	-	*	-
- Net loss	-	(435)	-

* Amount is less than $1,000.

Details of the associated company are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power		
			2011	2012	2013
Bullet Investments Limited	Property holding company	United Kingdom	-	30%	-

Except as otherwise disclosed, amounts due and from the associated company is unsecured, interest-free and repayable on demand.

FY 2012

On 5 June 2011, the Company had issued 4,736,842 ordinary shares for a consideration amounting to $63,840,000 to a related corporation as payment for the acquisition of 30% of the issued share capital and discounted notes (the "Bullet Investment") of a related party, Bullet Investments Limited ("Bullet"), accounted as an associated company of the Group. In September 2012, an agreement was reached with the related corporation to unwind the previous transaction entered.

FY 2013

On 5 September 2012, the Company has, as part of the unwind transaction, distributed its investment in the equity share and discounted notes of Bullet to its immediate holding corporation through a capital reduction of 4,736,842 ordinary shares of the Company (Note 24).

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16. Interest in associate

	2011 $	2012 $	2013 $
Investment in preference shares, at cost	1,285,822	1,285,823	1,285,823
Junior Notes receivables	19,090,899	22,203,731	23,432,311
Gain from bargain purchase (Note 5)	14,534,625	16,621,773	16,621,773
Cumulative share of profits of interest in associate	2,127,845	6,164,270	3,587,488
	37,039,191	46,275,597	44,927,395

An amount of $11,000,000 of the Junior Notes is used as security for bank borrowings of $14,000,000 (Note 21).

The investment in Junior Notes and Preference Shares of Royce Properties Pte. Ltd. (“Royce”) entitles the Group to a 39.93% (2012 : 39.93%, 2011 : 36.99%) of the total economic benefits in Royce and significant influence over the composition of the board of directors in Royce.

The Preference Shares bears interest which is calculated as the total distributable profits for Royce after taxation and is recognised as a liability in Royce.

The summarised financial information of the interest in associate, not adjusted for the proportion of economic interest held by the Group is as follows:

	2011 $	2012 $	2013 $
- Assets	310,083,571	338,551,859	318,977,034
- Liabilities	(309,083,571)	(337,551,859)	(317,977,034)
- Revenue	101,441,442	55,654,080	31,782,218
- Net profit	-	-	-

Details of the interest in associate are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power		
			2011	2012	2013
Royce Properties Pte Ltd	Property development	Singapore	37.0%	39.9%	39.9%

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17. Available-for-sale investments

	2011 $	2012 $	2013 $
Investment in ordinary share capital of Royce Properties Pte. Ltd.(“Royce”) and Sardinia Properties Pte. Ltd. (“Sardinia”); at cost	2,000,000	2,000,000	2,000,000

The investments which represent interests in the ordinary share capital of Royce and Sardinia that are not entitled to any of their economic benefits and are carried at cost.

18. Property, plant and equipment

	Freehold Land	Leasehold Land & Building	Computer	Furniture & Fittings	Motor Vehicles	Boats	Office Equipment	Hotel Equipment	Assets under Construction	Total
	$	$	$	$	$	$	$	$	$	$
31 March 2013										
Cost										
At 1 April 2012	-	-	139,353	121,228	109,745	70,135	-	-	4,017,162	4,457,623
Additions	-	2,433,917	404,945	-	844,464	-	26,411	435,272	1,809,282	5,954,291
Acquisition of subsidiaries (Note 32)	14,196,562	12,228,675	20,422	32,845	-	-	-	22,870	-	26,501,374
Disposals	-	-	(2,349)	(73,636)	-	(10,232)	-	-	-	(86,217)
Reclassification	-	5,826,444	-	-	-	-	-	-	(5,826,444)	-
Exchange differences	(709,129)	(612,485)	(1,220)	(1,645)	-	-	-	(1,145)	-	(1,325,624)
At 31 March 2013	13,487,433	19,876,551	561,151	78,792	954,209	59,903	26,411	456,997	-	35,501,447
Accumulated depreciation										
At 1 April 2012	-	-	105,787	17,247	72,572	5,880	-	-	-	201,486
Depreciation charge (Note 8)	-	298,614	133,874	2,376	63,838	14,267	24,480	36,652	-	574,101
Disposals	-	-	-	-	-	-	-	-	-	-
Exchange differences	-	(1,441)	(172)	(37)	-	-	-	(26)	-	(1,676)
At 31 March 2013	-	297,173	239,489	19,586	136,410	20,147	24,480	36,626	-	773,911
Carrying amount										
At 31 March 2013	**13,487,433**	**19,579,378**	**321,662**	**59,206**	**817,799**	**39,756**	**1,931**	**420,371**	**-**	**34,727,536**

The freehold land is located in Bina Gardens in London for the use of providing hospitality services. The leasehold land is located in Batam for the use of providing hospitality services and the unexpired lease term of the leasehold land is 25 years.

18. Property, plant and equipment (continued)

	Computer	Furniture & Fittings	Motor Vehicles	Boats	Assets under Construction	Total
	$	$	$	$	$	$
31 March 2012						
Cost						
At 1 April 2011	35,641	11,595	290,242	-	560,766	898,244
Additions	103,712	109,633	12,391	70,135	3,456,396	3,752,267
Disposals	-	-	(192,888)	-	-	(192,888)
At 31 March 2012	139,353	121,228	109,745	70,135	4,017,162	4,457,623
Accumulated depreciation						
At 1 April 2011	25,446	3,567	48,837	-	-	77,850
Depreciation charge (Note 8)	80,328	13,680	86,787	5,880	-	186,675
Disposals	-	-	(63,052)	-	-	(63,052)
Exchange difference	13	-	-	-	-	13
At 31 March 2012	105,787	17,247	72,572	5,880	-	201,486
Carrying amount						
At 31 March 2012	**33,566**	**103,981**	**37,173**	**64,255**	**4,017,162**	**4,256,137**

18. Property, plant and equipment (continued)

	Computer	Furniture & Fittings	Motor Vehicles	Office Equipment	Assets under Construction	Total
		$	$	$	$	$
31 March 2011						
Cost						
At 1 April 2010	26,817	-	-	370	-	27,187
Additions	19,543	5,651	254,841	-	560,766	840,801
Disposals	(13,478)	-	-	(370)	-	(13,848)
Acquisition of subsidiaries (Note 32)	2,759	5,944	35,401	-	-	44,104
At 31 March 2011	35,641	11,595	290,242	-	560,766	898,244
Accumulated depreciation						
At 1 April 2010	16,421	-	-	370	-	16,791
Depreciation charge (Note 8)	22,503	3,567	48,837	-	-	74,907
Disposals	(13,478)	-	-	(370)	-	(13,848)
At 31 March 2011	25,446	3,567	48,837	-	-	77,850
Carrying amount						
At 31 March 2011	**10,195**	**8,028**	**241,405**	**-**	**560,766**	**820,394**

As at March 31, 2013, the carrying amount of motor vehicles held under finance leases is $377,822 (2012: $Nil, 2011: $157,525).

Bank borrowings are secured on property, plant and equipment of the Group with carrying amount of $8,117,190 (2012: $4,017,162, 2011: $560,766).

19. Intangible assets

	Website Cost $
Cost	
Acquisition of subsidiary and balance at 31 March 2013	3,178
Accumulated amortisation	
Amortisation and balance on 31 March 2013	867
Carrying amount:	
March 31, 2011	-
March 31, 2012	-
March 31, 2013	2,311

Amortisation expense is included under "Administrative expenses" in the statement of comprehensive income.

20. Trade and other payables

	2011 $	2012 $	2013 $
Current			
Trade payables			
- Third party	1,141,881	5,225,793	6,937,299
- Immediate holding corporation (Note 29(a))	1,370,000	1,370,000	-
Non-trade payables			
- Immediate holding corporation (Note 29(a))	15,713,739	-	-
- Ultimate holding corporation (Note 29(a))	-	5,517,470	9,875,679
- Related corporations (Note 29(a))	2,247	279,593	1,917,002
Accrued operating expenses	1,212,404	272,051	907,808
Accrued development costs	-	125,557	6,284,238
Advances from related parties	968,750	968,750	968,750
Advances from third parties	4,031,250	4,031,250	4,031,250
Advances from non-controlling interest	-	-	1,440,725
Deposits received	-	2,474,456	600,000
Deferred income	1,853,403	4,264,542	3,953,164
Other payables	266,755	322,685	841,619
	26,560,429	24,852,147	37,757,534

The advances from third parties and non-controlling interest are unsecured, interest-free and repayable on demand.

The advances from related parties relate to advances from directors, shareholders of the immediate holding company and their related family members and are unsecured, interest-free and repayable on demand.

21. Borrowings

	2011 $	2012 $	2013 $
Current borrowings			
Bank borrowings	19,947,585	29,639,915	34,638,779
Finance lease liabilities	19,290	-	46,029
	19,966,875	29,639,915	34,684,808
Non-current borrowings			
Bank borrowings	-	-	14,979,886
Finance lease liabilities	98,028	-	324,771
	98,028	-	15,304,657
Total borrowings	20,064,903	29,639,915	49,989,465

Variable-rate borrowings amounting to $29,701,256 (2012: $15,025,114, 2011: $19,947,585) are contractually repriced between 1 to 3 months (2012: 1 to 3 months, 2011: 3 months).

Fixed-rate borrowings amounting to $20,288,209 (2012: $14,614,801 and 2011: $117,318) bear fixed interest rate of 7% per annum.

The bank borrowings are secured by the Junior Notes (Note 16) and a guarantee from certain directors of the Company.

(a) Bank borrowings

FY 2012
As at 31 March 2012, an Indonesian subsidiary of the Group has obtained additional bank borrowings to finance its development activities. These borrowings are due for repayment not later than 17 February 2017. However, the Group has breached a certain covenant in respect of these borrowings, which resulted in an event of default which the lenders could demand the borrowings to be immediately due and payable.

In view of the breaches of the abovesaid covenant as at 31 March 2012, these borrowings amounting to $14,614,801 were classified as current liabilities.

The Company's borrowings, amounting to $15,000,000 are due for repayment on 30 June 2012 and have been classified as current liabilities.

21. Borrowings (continued)

FY 2013
As at 31 March 2013, an Indonesian subsidiary of the Group has obtained additional bank borrowings to finance its development activities. These borrowings are due for repayment not later than 17 February 2017. However, the Group has breached a certain covenant in respect of these borrowings, which resulted in an event of default which the lenders could demand the borrowings to be immediately due and payable.

In view of the breaches of the abovesaid covenant as at 31 March 2013, these borrowings amounting to $19,917,409 were classified as current liabilities.

(b) Finance lease liabilities

The Group leases motor vehicles from third parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with the options to purchase the leased assets at nominal values at the end of the lease term.

	2011	2012	2013
	$	$	$
Minimum lease payments due			
- Not later than one year	22,260	-	60,852
- Between one and five years	66,780	-	204,432
- Later than five years	46,345	-	161,601
	135,385	-	426,885
Less: Future finance charges	(18,067)	-	(56,085)
Present value of finance lease liabilities	117,318	-	370,800

The present values of finance lease liabilities are analysed as follows:

	2011	2012	2013
	$	$	$
Not later than one year	19,290	-	46,029
Between one and five years	57,870	-	171,280
Later than five years	40,158	-	153,491
Total	117,318	-	370,800

22. Sales proceeds received in advance

The sales proceeds received in advance relate to the consideration received from the sale of development properties which the title has yet to be passed to the purchaser.

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23. Deferred income taxes

Movement in deferred income tax is as follows:

(a) Deferred tax assets

Deferred tax assets relate to the tax payable on advanced cash receipts for the sale of development properties in Indonesia which is recognised using the completed contracts ("COC") method.

Cash receipts for COC development properties	$
At 1 April 2010	(57,330)
Tax payable on cash received	(839,925)
At 31 March 2011	(897,255)
Tax payable on cash received	(823,320)
At 31 March 2012	(1,720,575)
Tax payable on cash received	(1,766,960)
Charge to profit or loss	2,423,970
At 31 March 2013	(1,063,565)

(b) Deferred tax liabilities

	Accelerated tax depreciation	Interest income not received	Total
	$	$	$
Acquisition of interest in associate and balance at 31 March 2011	-	1,157,863	1,157,863
Charge to profit or loss (Note 7)	-	274,181	274,181
Acquisition of interest in associate	-	127,290	127,290
At 31 March 2012	-	1,559,334	1,559,334
Charge to profit or loss	66,719	208,859	275,578
At 31 March 2013	66,719	1,768,193	1,834,912

24. Share capital

	Number of shares	Amount
		$
At 1 April 2010 and 31 March 2011	5,000,000	5,000,000
Shares issued	14,736,842	73,840,000
At 31 March 2012	19,736,842	78,840,000
Shares reduction	(4,736,842)	(63,840,000)
At 31 March 2013	15,000,000	15,000,000

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

24. Share capital (continued)

FY 2012

(i) On 15 April 2011, the Company issued 10,000,000 ordinary shares for a consideration amounting to $10,000,000 to its immediate holding corporation. This amount was paid via the capitalisation of the amount owing to the immediate holding corporation.

(ii) On 5 June 2011, the Company issued 4,736,842 ordinary shares for a consideration amounting to $63,840,000 to a related corporation as payment for the acquisition of 30% of the issued share capital and discounted notes of a related party, Bullet Investments Limited ("Bullet"). With this acquisition, Bullet has become an associated company of the Group (Note 15).

The newly issued shares rank pari passu in all respects with the previously issued shares.

FY 2013

On 5 September 2012, the Company performed a capital reduction of 4,736,842 shares amounting to $63,840,000 as part of the Group restructuring of the investment in Bullet (Note 15).

25. Dividends

	2011 $	2012 $	2013 $
Declared and paid during the financial year:			
Dividends on ordinary shares:			
Interim exempt (one-tier) dividend of 59.9 cents (2012 and 2011: Nil) per share	-	-	8,980,000

26. Commitments

Capital expenditures contracted for at the end of the reporting period but not recognised in the financial statements are as follows:

	2011 $	2012 $	2013 $
Development properties	8,324,296	4,716,622	17,322,485
Property, plant and equipment	812,981	2,727,408	761,685
	9,137,277	7,444,030	18,084,170

On 30 November 2012, a subsidiary of the Company, Gramercy Properties Pte. Ltd. entered into a sale and purchase agreement for Gramercy to incorporate an Indonesian domiciled entity to undertake the acquisition of a resort located in Seminyak, Bali, Indonesia for a consideration of US$20,400,000 (S$25,323,000).

27. Operating leases

There is no material operating lease commitment for the Group for 31 March 2011, 2012 and 2013.

28. Financial risk management

The Group's activities expose it to currency risk, interest rate risk, credit risk and liquidity risk. The Board reviews the policies for the management of each of these risks and they are summarised below.

(a) Currency risks

The Group operates primarily in Singapore, Indonesia and United Kingdom, and as a result, is exposed to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from its normal business activities.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Indonesian Rupiah ("IDR"), United States Dollar ("USD"), Great Britain Pound ("GBP") and Euro ("EUR"). The Group does not hedge its foreign currency exposures.

The Group's breakdown of the currency denomination of the financial assets and liabilities are as follows:

	SGD	IDR	USD	GBP	EUR	Total
	$	$	$	$	$	$
At 31 March 2013						
Financial assets						
Cash and bank balances	1,230,339	250,358	367,896	480,427	5,679	2,334,699
Trade and other receivables	13,706,749	1,321,571	-	799,979	-	15,828,299
Other financial assets	2,420	581	1,832,920	-	-	1,835,921
Available-for-sale investments	2,000,000	-	-	-	-	2,000,000
	16,939,508	1,572,510	2,200,816	1,280,406	5,679	21,998,919
Financial liabilities						
Borrowings	24,353,242	-	9,944,805	15,691,418	-	49,989,465
Trade and other payables	27,756,040	3,195,813	156,767	2,673,101	22,649	33,804,370
	52,109,282	3,195,813	10,101,572	18,364,519	22,649	83,793,835
Net financial (liabilities)/ assets	(35,169,774)	(1,623,303)	(7,900,756)	(17,084,113)	(16,970)	(61,794,916)
Currency exposure for balances not denominated in the functional currencies of the respective entities	**-**	**(1,623,303)**	**(7,900,756)**	**1,127,659**	**(16,970)**	**(8,413,370)**

28. Financial risk management (continued)

(a) Currency risks (continued)

	SGD $	IDR $	USD $	GBP $	Total $
At 31 March 2012					
Financial assets					
Cash and bank balances	3,979,096	273,757	4,040,303	-	8,293,156
Trade and other receivables	12,616,007	2,513	-	70,968,165	83,586,685
Other financial assets	14,315	433,175	-	3,904,823	4,352,313
Available-for-sale investments	2,000,000	-	-	-	2,000,000
	18,609,418	709,445	4,040,303	74,872,988	98,232,154
Financial liabilities					
Borrowings	25,599,781	-	4,040,134	-	29,639,915
Trade and other payables	18,365,883	2,013,997	207,725	-	20,587,605
	43,965,664	2,013,997	4,247,859	-	50,227,520
Net financial (liabilities)/assets	(25,356,246)	(1,304,552)	(207,556)	74,872,988	48,004,634
Currency exposure for balances not denominated in the functional currencies of the respective entities	**-**	**(1,304,552)**	**(207,556)**	**74,872,988**	**73,360,880**

	SGD $	IDR $	GBP $	Total $
At 31 March 2011				
Financial assets				
Cash and bank balances	3,721,586	823,270	-	4,544,856
Trade and other receivables	16,639,047	-	3,377,570	20,016,617
Other financial assets	15,065	-	-	15,065
Available-for-sale investments	2,000,000	-	-	2,000,000
	22,375,698	823,270	3,377,570	26,576,538
Financial liabilities				
Borrowings	20,064,903	-	-	20,064,903
Trade and other payables	24,580,641	126,385	-	24,707,026
	44,645,544	126,385	-	44,771,929
Net financial (liabilities)/assets	(22,269,846)	696,885	3,377,570	(18,195,391)
Currency exposure for balances not denominated in the functional currencies of the respective entities	**-**	**696,885**	**3,377,570**	**4,074,455**

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28. Financial risk management (continued)

(a) Currency risks (continued)

The following table details the sensitivity to a 3% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 3% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in exchange rate.

At 31 March 2013, if the IDR, USD, GBP and EUR had strengthened/weakened by 3% (2012: IDR, USD and GBP strengthened/weakened by 3%, 2011: IDR and GBP strengthened/weakened by 3%) respectively against the SGD with all other variables including tax rate being held constant, the Group's profit before income tax would have increased/(decreased) as follows:

	2011 $	2012 $	2013 $
Impact on profit before tax			
IDR against SGD			
- strengthened	20,907	(39,137)	(48,699)
- weakened	(20,907)	39,137	48,699
USD against SGD			
- strengthened	-	(6,227)	(237,023)
- weakened	-	6,227	237,023
GBP against SGD			
- strengthened	101,327	2,246,190	33,830
- weakened	(101,327)	(2,246,190)	(33,830)
EUR against SGD			
- strengthened	-	-	(509)
- weakened	-	-	509

(b) Interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

28. Financial risk management (continued)

(b) Interest rate risks (continued)

The Group's variable-interest rate borrowings are as follows:

	2011 $	2012 $	2013 $
Variable interest rate borrowings	19,947,585	15,025,114	29,701,256
If interest rate increase/decrease by 50 basis points, the impact to profit before income tax would be	99,738	75,126	148,506

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the statement of financial position.

Management regularly monitors collectability of trade receivables and has assessed that these amounts are not subject to significant credit risk. Historically, there were no collection issues arising from trade receivables. For other financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties with good credit ratings.

The receivables that were neither past due nor impaired belong to customers who has made regular payments and there are no indicators of impairment at the end of the reporting period and are still considered recoverable.

28. Financial risk management (continued)

(c) Credit risk (continued)

(i) *Financial assets that are past due and not impaired*

There is no class of financial assets that is past due and/or impaired except for trade receivables. The age analysis of trade receivables past due but not impaired is as follows:

	2011	2012	2013
	$	$	$
Past due < 3 months	376,375	118,329	425,487
Past due 3 to 6 months	256,968	110,454	98,643
Past due over 6 months	211,292	83,802	23,780
	844,635	312,585	547,910

Management has assessed and determined that there is no change in credit quality for these receivables and accordingly, no further allowance is required.

(d) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash and available funding through an adequate amount of committed credit facilities sufficient to enable it to meet its operational requirements.

28. Financial risk management (continued)

(d) Liquidity risk (continued)

(i) The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Weighted average effective interest rate	On demand or less than 1 year	Between 1 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2011						
Non-interest bearing	-	24,707,026	-	-	-	24,707,026
Fixed interest rate	7.00	22,260	66,780	46,345	(18,067)	117,318
Variable interest rate	6.47	21,156,500	-	-	(1,208,915)	19,947,585
		45,885,786	66,780	46,345	(1,226,982)	44,771,929
2012						
Non-interest bearing	-	20,587,605	-	-	-	20,587,605
Fixed interest rate	7.00	15,557,610	3,637,670	-	(4,580,479)	14,614,801
Variable interest rate	6.79	15,789,686	-	-	(764,572)	15,025,114
		51,934,901	3,637,670	-	(5,345,051)	50,227,520
2013						
Non-interest bearing	-	33,804,370	-	-	-	33,804,370
Fixed interest rate	7.00	21,150,765	1,645,618	161,601	(2,669,775)	20,288,209
Variable interest rate	5.62	15,523,785	15,290,949	-	(1,113,478)	29,701,256
		70,478,920	16,936,567	161,601	(3,783,253)	83,793,835

(ii) As at March 31, 2013, 2012 and 2011, the Group is in net current liabilities of $29,574,528, (2012 : net current assets of $65,523,475, 2011 : net current liabilities of $11,325,649). Management is of the opinion that there is minimal liquidity risk as

1. the Group has complied with its loan covenant for its loan of $19,917,409 from an Indonesian Bank from 8 April 2013 and the amount has been reclassified to non-current subsequent to March 31, 2013;

2. sales proceeds received in advance of $3,380,190 at March 31, 2013 and deferred income of $3,953,164 from its purchasers of overseas development property and management of property development has no cash flow impact on the Group and will be reclassed to revenue upon the delivery of the goods and services; and

3. On 16 April 2013, the Group disposed the investments in Hayden Properties Pte. Ltd. and Royce Properties Pte. Ltd. for total consideration of $5,010,027 and reduced the payables to its immediate holding corporation by the same amount.

Including the effects above, the Group will be in net current assets subsequent to 31 March 2013.

28. Financial risk management (continued)

(e) Capital risk

The Group's objectives in managing capital are to ensure that the Group is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity when necessary.

The Group monitors its capital based on net debt and total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as shareholder's equity plus net debt. The Group's strategies in managing capital were unchanged from since incorporation.

The Group has capital requirements imposed by its external lender in Indonesia which states that the Group has to maintain a certain amount of funds in an escrow account controlled by the external lender as at March 31, 2013.

(f) Fair value measurements

The Company does not have any financial instruments measured at fair values. The carrying values of current financial assets and current liabilities approximate their fair values due their relatively short maturity profiles.

The carrying amount of non-current borrowings approximates their fair value due to the market interest rate charged on the borrowings.

(g) Financial instruments by category

	2011 $	2012 $	2013 $
Loans and receivables	24,576,538	96,232,154	19,998,919
Available-for-sale investments	2,000,000	2,000,000	2,000,000
Financial liabilities	44,771,929	50,227,520	83,793,835

29. Immediate and ultimate holding corporation

FY 2011

The Company's immediate holding corporation is KOP Group Pte. Ltd., incorporated in Singapore. The ultimate holding corporation is DVG Real Estate & Hospitality, incorporated in Dubai.

FY 2012

The Company's immediate holding corporation is KOP Group Pte. Ltd., incorporated in Singapore. The ultimate holding corporation is Reignwood Holding International Company Limited, incorporated in the British Virgin Islands.

FY 2013

The Company's immediate and ultimate holding corporation is KOP Group Pte. Ltd., incorporated in Singapore.

(a) Related corporations' transactions

Some of the Group's transactions and arrangements are between members of the Group and other members of the ultimate holding corporation not within the Group and the effect of these on the basis determined between the parties is reflected in the financial statements.

The balances between related corporations are unsecured, interest-free and repayable on demand unless stated otherwise.

Significant related corporations' transactions:

With immediate holding corporation:

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Shared services expenses	578,500	628,515	261,881
Acquisition of subsidiaries	-	-	4
Disposal of investment in associate	-	-	(63,840,000)
Lease expense	-	-	569,211

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29. Immediate and ultimate holding corporation (continued)

(a) Related corporations' transactions (continued)

With related corporations:

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Management fee expense	-	-	17,297
Technical services fee	178,113	73,538	-
Acquisition of additional interest in subsidiary	-	44,019	-
Lease expenses	53,625	54,203	47,065
Ferry services expenses	76,822	132,462	197,181

With associates:

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Bullet Investments Limited			
Interest income	-	(2,534,335)	-
Management fee income	-	(4,020,149)	(1,666,650)
Royce Properties Pte. Ltd.			
Management fee income	(2,371,000)	(4,966,566)	(3,591,265)
Interest income	-	(968,828)	(738,008)
Commission income	-	-	(711,741)

30. Related party transactions

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances due to and from related parties are unsecured, interest-free and repayable on demand unless otherwise stated.

(a) Significant related party transactions are as follows:

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Sales of development properties			
- Directors	-	(1,474,468)	(356,650)
Management of development properties sold to directors - net	-	-	(1,489)
Acquisition of subsidiary held by family members of a director	2,330,993	-	-
Acquisition of subsidiary from directors	-	-	8,401,576
Establishment fee paid to directors	-	608,108	-
Purchases from a company owned by directors	3,364	6,806	10,359
Administrative fee from directors	-	-	(31,685)
Management fee received from an entity owned by certain shareholders of the immediate holding corporation	(350,000)	(350,000)	(350,000)

(b) Key management personnel compensation

	31 March 2011 $	31 March 2012 $	31 March 2013 $
Short term benefits			
Wages and salaries	437,000	1,521,108	1,548,377
Long term benefits			
Employer's contribution to Central Provident Fund	12,677	41,316	73,350
	449,677	1,562,424	1,621,727

There are no other key management personnel other than the directors of the Company.

31. Segment information

The operating segments are determined based on the reports reviewed by the chief operating decision-maker ("CODM"). The CODM has been identified as the directors of the Company, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). The CODM considers the operating segments to be as follows:

Real estate development and investment	The development, construction and sale of development properties.
Real estate origination and management services	The provision of business and management services for projects, including acquisition of properties and undertaking the development conceptualisation, construction management, marketing and branding strategising and retail sales of such projects.
Hospitality	Management and operation of hotels, including restaurants and spas.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

31. Segment information (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2 to the financial statements.

Inter-segment transfers are eliminated on consolidation.

Segment information about the Group's reportable segments is presented below:
Reportable segments

	Real estate development and investment	Real estate origination and management services	Hospitality	Inter-segment eliminations	Total
	$	$	$	$	$
31 March 2013					
Revenue:					
Revenue from external customers	23,961,938	12,211,482	4,872,874	-	41,046,294
Inter-segment revenue	-	1,467,970	-	(1,467,970)	-
Total revenue	23,961,938	13,679,452	4,872,874	(1,467,970)	41,046,294
Finance expense	(1,117,570)	(9,775)	(358,106)	-	(1,485,451)
Depreciation and amortisation	(136,483)	(135,856)	(302,629)	-	(574,968)
Interest income	774,112	16	1,597	-	775,725
Share of results from interest in associate	1,097,844	-	-	-	1,097,844
Reportable segment profit/(loss) before income tax	3,659,028	5,694,059	(3,920,827)	-	5,432,260
Income tax	(3,276,651)	(762,099)	(642)	-	(4,039,392)
Reportable segment assets	82,937,993	20,122,425	29,251,711	-	132,312,129
Segment assets include:					
- Additions to non-current assets	4,321,694	531,571	1,101,026	-	5,954,291
Reportable segment liabilities	46,066,623	31,336,280	21,129,929	-	98,532,832

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31. Segment information (continued)

Reportable segments (continued)

	Real estate development and investment $	Real estate origination and management services $	Hospitality $	Inter-segment eliminations $	Total $
31 March 2012					
Revenue:					
Revenue from external customers	-	11,999,891	-	-	11,999,891
Inter-segment revenue	-	964,428	-	(964,428)	-
Total revenue	-	12,964,319	-	(964,428)	11,999,891
Finance expense	(1,466,040)	(10,129)	-	-	(1,476,169)
Depreciation and amortisation	(85,929)	(100,746)	-	-	(186,675)
Interest income	3,506,635	590	-	-	3,507,225
Gain from bargain purchase	2,087,148	-	-	-	2,087,148
Share of results from interest in associate	5,775,428	-	-	-	5,775,428
Share of results of investment in associated company	-	(240,000)	-	-	(240,000)
Reportable segment profit/(loss) before Income tax	3,038,962	8,501,103	(1,092,881)	-	10,447,184
Income tax	(705,018)	(1,170,507)	-	-	(1,875,525)
Reportable segment assets	83,788,415	91,643,882	519,706	-	175,952,003
Segment assets include:					
- Additions to non-current assets	3,595,662	90,478	66,127	-	3,752,267
Reportable segment liabilities	38,560,880	33,625,927	152,051	-	72,338,858

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31. Segment information (continued)

Reportable segments (continued)

	Real estate development and investment	Real estate origination and management services	Inter-segment eliminations	Total
	$	$	$	$
31 March 2011				
Revenue:				
Revenue from external customers	-	6,098,570	-	6,098,570
Inter-segment revenue	-	761,279	(761,279)	-
Total revenue	-	6,859,849	(761,279)	6,098,570
Finance expense	(97,585)	(2,722)	-	(100,307)
Depreciation and amortisation	(18,158)	(56,749)	-	(74,907)
Interest income	32,244	-	-	32,244
Gain from a bargain purchase	14,534,625	-	-	14,534,625
Share of results from interest in associate	1,625,994	-	-	1,625,994
Reportable segment profit/(loss) before income tax	15,122,846	1,933,352	-	17,056,198
Income tax	-	(791,000)	-	(791,000)
Reportable segment assets	54,502,715	22,258,602	-	76,761,317
Segment assets include:				
- Additions to non-current assets	631,532	209,269	-	840,801
Reportable segment liabilities	11,154,344	45,687,057	-	56,841,401

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31. Segment information (continued)

Geographical information

The operations of the Group, except for the property development in Indonesia and hotel management in United Kingdom, are principally located in Singapore as follows:

	Singapore $	Indonesia $	United Kingdom $	Total $
31 March 2013				
Revenue from external customers	12,211,482	26,848,991	1,985,821	41,046,294
Non-current assets	45,344,328	9,303,332	25,007,271	79,654,931
31 March 2012				
Revenue from external customers	11,999,891	-	-	11,999,891
Non-current assets	46,298,398	4,233,336	-	50,531,734
31 March 2011				
Revenue from external customers	6,098,570	-	-	6,098,570
Non-current assets	37,202,108	657,477	-	37,859,585

Reconciliations

(i) Segment assets

The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the CODM monitors the property, plant and equipment, receivables, operating cash and development properties attributable to each segment.

Segment assets are reconciled to total assets as follows:

	2011 $	2012 $	2013 $
Segment assets for reportable segments	76,761,317	175,952,003	132,312,129
Deferred tax assets	897,255	1,720,575	1,063,565
	77,658,572	177,672,578	133,375,694

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31. **Segment information** (continued)

Reconciliations (continued)

(ii) Segment liabilities

The amounts provided to the CODM with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities and deferred tax liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	2011 $	2012 $	2013 $
Segment liabilities for reportable segments	56,841,401	72,338,858	98,532,832
Unallocated:			
Income tax liabilities	1,700,077	3,404,732	4,406,883
Deferred tax liabilities	1,157,863	1,559,334	1,834,912
	59,699,341	77,302,924	104,774,627

32. **Acquisitions of subsidiaries**

FY 2011

(a) Acquisition of PTTCP

On 28 July 2009, the Company entered into an agreement to acquire an Indonesia entity, PT Teguh Cipta Pratama ("PTTCP"). PTTCP is considered to be a related party because it is owned by family members of a director.

On 1 December 2010, the substantive condition for the completion of the sale and purchase agreement ("SPA") of PTTCP was met and accordingly, the Company is determined to have obtained control over PTTCP from 1 December 2010 onwards.

As the acquired entity's activities comprise the land held for future property development without any associated process, the acquisition is regarded as an acquisition of assets and the cost of the acquisition is measured at the carrying amount of the assets acquired and the liabilities assumed at the date of exchange, plus costs directly attributable to the acquisition.

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32. Acquisitions of subsidiaries (continued)

(a) Acquisition of PTTCP (continued)

The aggregate effects of the acquisition of PTTCP on the cash flows of the Group based on the allocation of the cost of the transaction were as follows:

	At allocated cost $ 2011
Assets acquired and liabilities assumed	
Cash on hand	261
Property, plant and equipment	44,104
Development properties	10,495,227
Trade and other receivables	3,402,298
Total assets	13,941,890
Trade and other payables	11,608,702
Total liabilities	11,608,702
Total identifiable net assets	2,333,188
Less: Non-controlling interest	(2,175)
Consideration transferred for the asset	**2,331,013**
Cash paid as above	2,331,013[(1)]
Less cash in subsidiary acquired	(261)
Cash outflow on acquisition	**2,330,752**

(1) Total consideration paid was $2,330,993 and inclusive of bank charges of $20 for the payment.

(b) Acquisition of non-controlling interest in PTTCP

On 3 February 2012, a subsidiary of the Company entered into an agreement with a related party to acquire the remaining 1% of the share capital of PTTCP, for a total consideration of $44,019. With this acquisition, PTTCP became a wholly-owned subsidiary of the Group.

FY 2012

There was no acquisition of subsidiary in FY 2012.

32. Acquisitions of subsidiaries (continued)

FY 2013

(c) Acquisition of entities under common control

(i) Acquisition of The Cranley Hotel (IOM) Limited ("Cranley")

On 3 September 2012, the Company entered into a sale and purchase agreement to acquire a 85% equity interest of Cranley, an entity incorporated in Isle of Man, for a total consideration of GBP 4.2 million (approximately $8.4 million). Cranley is considered to be a related party because it is substantially owned by directors and controlling shareholders of the ultimate holding company.

On 7 September 2012, the substantive condition for the completion of the agreement was met and accordingly, the Company is determined to have obtained control over Cranley from 7 September 2012 onwards.

On the date of acquisition, Cranley owns 100% equity interests of Cranley Hotel Limited and Cranley Real Estate Limited, both incorporated in United Kingdom.

(ii) Acquisition of other entities from the immediate holding corporation

During the financial year ended 31 March 2013, the Group underwent a restructuring exercise whereby certain subsidiaries including KOP Luxury Lifestyles Pte Ltd, Franklyn Hotels & Resorts (Europe) Limited and Gramercy Properties Pte Ltd ("other entities") which were under common control of the holding corporation, KOP Group Pte Ltd were transferred to the Company.

The restructuring exercise was accounted for using merger accounting method. The net assets of the combining entities or businesses are consolidated using the existing book values at the date of the combination. Any excess or shortfall of the consideration paid over the net book values acquired is recognised as a component under equity as "other reserve".

32. Acquisitions of subsidiaries (continued)

FY 2013 (continued)

The aggregate effects of the acquisition of entities under common control on the cash flows of the Group based on the allocation of the cost of the transaction were as follows:

	<-----------At date of acquisition--------->		
	Cranley	Other entities	Total
	$	$	$
Book value of assets acquired and liabilities assumed			
Cash and bank balances	400,868	838,502	1,239,370
Trade and other receivables	133,832	708,856	842,688
Other current assets	315,092	2,318	317,410
Inventory	11,921	-	11,921
Property, plant and equipment	26,501,374	-	26,501,374
Intangible assets	-	3,178	3,178
Total assets	27,363,087	1,552,854	28,915,941
Trade and other payables	(1,787,402)	(1,938,086)	(3,725,488)
Borrowings	(17,219,429)	-	(17,219,429)
Total liabilities	(19,006,831)	(1,938,086)	(20,944,917)
Total net assets (liabilities)	8,356,256	(385,232)	7,971,024
Less: non-controlling interest	(1,253,438)	-	(1,253,438)
Identifiable net assets (liabilities) acquired	7,102,818	(385,232)	6,717,586
Less: Purchase consideration	(8,401,572)	(4)	(8,401,576)
Excess of purchase consideration over identifiable net assets taken to **other reserve**	(1,298,754)	(385,236)	(1,683,990)
Net cash used in acquisition:			
Cash paid as above	8,401,572	4	8,401,576
Less cash in subsidiary acquired	(400,868)	(838,502)	(1,239,370)
Cash **(inflow) outflow on acquisition**	**8,000,704**	**(838,498)**	**7,162,206**

33. Events after the reporting period

(a) Disposal of Hayden Properties Pte. Ltd. and Royce Properties Pte. Ltd.

Following the approval of the Group's management and shareholders on 16 April 2013, the Group has completed the following restructuring activities:

- The subsidiary, Hayden Properties Pte Ltd ("Hayden") sold the preference shares in Royce Properties Pte Ltd with a carrying amount of $1,919,553 for a consideration of $1,285,812 to the Company.
- The Company sold its 100% interests in common shares in its subsidiaries, Hayden Properties Pte Ltd ("Hayden") and Royce Properties Pte Ltd ("Royce") to the Company's immediate holding corporation for a total consideration of $5,010,027. The difference of $2,941,545 was taken to other reserve as a deemed contribution from the ultimate holding company.

(b) Incorporation of PT. Montigo Seminyak

On 8 April 2013, the Group incorporated a subsidiary, PT. Montigo Seminyak ("Seminyak") in Indonesia through Gramercy Properties Pte Ltd and KOP Hospitality Pte Ltd. This entity is to undertake the acquisition of a resort located in Seminyak, Bali, Indonesia. During the financial year ended 31 March 2013, a deposit of $1,832,920 was paid in relation to this acquisition. On 7 June 2013, the Group completed the acquisition of the resort.

On 20 August 2013, the Group increased its share capital in Seminyak to US$5,000,000.

(c) Additional draw-down of loan

On 11 July 2013, a newly incorporated Indonesian subsidiary drew down an additional amount of S$15,210,000 (US$12,000,000) from its loan facility from an external financial institution.

(d) Investment in KOP Properties (HK) Limited ("KOP HK")

On 16 October 2013, the Group completed the acquisition of the 51% share capital in KOP HK from Bachmeer Capital Limited for a total consideration of HK$510,000. KOP HK is principally engaged in the business of property management and consulting.

(e) Restructuring of the shareholdings of KOP Properties Pte. Ltd. ("KOPP")

On 18 October 2013, KOPP completed the restructuring of its shareholdings where its ultimate holding company KOP Group Pte Ltd ("KOPG") transferred 40% of the issued and paid up ordinary share capital to 11 individuals of which 4 of them are either directors and/or ordinary shareholders of KOPG and KOPP.

33. Events after the reporting period (continued)

(f) *Agreement for the sale of the entire issued and paid up capital of KOP Properties Pte. Ltd. ("KOPP")*

On 27 November 2013, the shareholders of KOPP entered into an agreement to sell the entire issued and paid-up ordinary share capital of KOPP to Scorpio East Holdings Ltd. ("Scorpio") for a total consideration of S$150,000,000. The agreement is subject to certain conditions including approval by the shareholders of Scorpio in its extraordinary general meeting to be convened.

(g) *Option agreement for the acquisition of investment in Victory Hills Exhibitions ("VHE")*

On 3 February 2014, KOPP entered into an agreement with KOPG to pay S$1 for an option to acquire 1,851.83 units in VHE for a total consideration of US$5,892,843. The option is valid for 6 months from the date of the agreement.

(h) *Acquisition of shareholding interest in Art Heritage Singapore Pte. Ltd. ("AHS")*

On 27 March 2014, KOPP acquired KOPG's 20% shareholding interest in AHS for an aggregate consideration of $1,150,000, comprising (a) $600,000 for the shareholding interest in AHS, and (b) $550,000 for advances provided to AHS by KOPG. In addition, pursuant to the acquisition, KOPG's rights, liabilities and obligations under the Shareholders' Agreement were transferred to the KOPP. Consequently on 27 March 2014, KOPP terminated its project management services agreement with KOPG and entered into the same with AHS.

34. Listing of companies in the Group

Name of companies	Principal activities	Country of incorporation and place of business	Effective holding and voting power 2011 %	2012 %	2013 %
Subsidiary held by the Company					
Hayden Properties Pte Ltd ("Hayden") [(a)]	Investment holding	Singapore	100	100	100
Montigo Nongsa Pte. Ltd. [(a)]	Real estate activities with own or leased property and business and management consultancy services	Singapore	100	100	100
P.T. Teguh Cipta Pratama [(b)]	Development and trade	Indonesia	99	100	100
KOP Properties Ltd [(b)]	Letting and operation of owned or leased real estate	United Kingdom	100	100	100
KOP Hospitality Pte. Ltd. ("KOP Hospitality") [(a)(d)]	Management of hotels with restaurants	Singapore	-	-	100
The Cranley Hotel (IOM) Limited ("Cranley") [(b)]	Property holding company	Isle of Man	-	-	85
Gramercy Properties Pte. Ltd. [(a)(c)]	Real estate development	Singapore	-	-	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 31 March 2011, 2012 and 2013

34. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of incorporation and place of business	Effective holding and voting power 2011 %	2012 %	2013 %
Subsidiaries held by KOP Hospitality					
KOP Luxury Lifestyles Pte. Ltd. (a)(c)	Publication of journals, periodical and magazines and other reservation service activities	Singapore	-	-	100
Franklyn Hotels & Resorts (Europe) Limited(b)(c)	Hospitality management services	United Kingdom	-	-	100
Subsidiaries held by Cranley					
Cranley Hotel Limited(b)(c)	Provision of hotel services	United Kingdom	-	-	85
Cranley Real Estate Limited (b)(c)	Property holding company	United Kingdom	-	-	85

(a) Audited by Deloitte & Touche LLP, Singapore.
(b) Audited for consolidation purpose by Deloitte & Touche LLP, Singapore
(c) Acquired during the financial year ended 31 March 2013.
(d) Incorporated during the financial year ended 31 March 2013.

There are 2 companies Sardinia Properties Pte. Ltd. (“Sardinia”) and Royce Properties Pte. Ltd. (“Royce”) which the Group owns 100% of the ordinary share capital but are not considered subsidiaries of the Group as management has assessed and determined that the Group does not have control over Sardinia and Royce (Note 3(a)(i)).

35 Prior Year Adjustments

In 2013, the Group adopted FRS 110 *Consolidated Financial Statements* and did a re-assessment on whether the Group has control over the entities.

From the re-assessment, management is of the opinion that:

(i) the Group does not have control over Royce Properties Pte. Ltd. ("Royce"), instead it has significant influence over Royce and have equity accounted for its share of results for Royce; and
(ii) the Group does not have control over Sardinia Properties Pte. Ltd. and its results should not be consolidated into the results for the Group.

Further details on the re-assessment are disclosed in Note 3(a)(i).

Prior year adjustments and reclassifications were posted for the above.

The effects of the restatement on the prior years' financial statements are as follows:

	Previously reported $	Adjustment $	Restated $
2012 Statement of comprehensive income			
Revenue	145,324,972	(133,325,081)	11,999,891
Cost of sales	(112,110,552)	112,110,552	-
Gross profit	33,214,420	(21,214,529)	11,999,891
Gain from bargain purchase	2,214,438	(127,290)	2,087,148
Other income / (expense) – net	138,901	859,654	998,555
Administrative expense	(12,098,257)	3,400,588	(8,697,669)
Finance expense	(11,034,578)	9,558,409	(1,476,169)
Share of results from interest in associate	-	5,775,428	5,775,428
Share of results from investment in associated company	(240,000)	-	(240,000)
Profit before tax	12,194,924	(1,747,740)	10,447,184
Income tax expense	(5,112,189)	3,236,664	(1,875,525)
Profit for the year	7,082,735	1,488,924	8,571,659

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 31 March 2011, 2012 and 2013

35 Prior Year Adjustments (continued)

2012 Statement of financial position	Previously reported $	Adjustment $	Restated $
ASSETS			
Current assets			
Cash and bank balances	41,127,562	(32,834,406)	8,293,156
Trade and other receivables	107,874,398	(24,287,713)	83,586,685
Other current assets	4,731,282	(348,332)	4,382,950
Development properties	599,459,776	(572,302,298)	27,157,478
	753,193,018	(629,772,749)	123,420,269
Non-current assets			
Investment in an associated company	-	-	-
Interest in associate	-	46,275,597	46,275,597
Available-for-sale investments	-	2,000,000	2,000,000
Property, plant and equipment	4,291,754	(35,617)	4,256,137
Deferred tax assets	-	1,720,575	1,720,575
	4,291,754	49,960,555	54,252,309
Total assets	757,484,772	(579,812,194)	177,672,578
LIABILITIES			
Current liabilities			
Trade and other payables	103,116,438	(78,264,291)	24,852,147
Borrowings	191,294,858	(161,654,943)	29,639,915
Current tax liabilities	12,254,509	(8,849,777)	3,404,732
	306,665,805	(248,769,011)	57,896,794
Non-current liabilities			
Borrowings	342,229,873	(342,229,873)	-
Sales proceeds received in advance	-	17,846,796	17,846,796
Deferred tax liabilities	3,257,465	(1,698,131)	1,559,334
	345,487,338	(326,081,208)	19,406,130
Total liabilities	652,153,143	(574,850,219)	77,302,924
NET ASSETS	105,331,629	(4,961,975)	100,369,654
EQUITY			
Share capital	78,840,000	-	78,840,000
Other reserve	5,010,027	(5,010,027)	-
Foreign currency translation reserve	(873)	-	(873)
Retained profits	21,482,475	48,052	21,530,527
Shareholder's equity	105,331,629	(4,961,975)	100,369,654
Non-controlling interest	-	-	-
Total equity	105,331,629	(4,961,975)	100,369,654

35 Prior Year Adjustments (continued)

	Previously reported $	Adjustment $	Restated $
<u>2011 Statement of comprehensive income</u>			
Revenue	139,006,716	(132,908,146)	6,098,570
Cost of sales	(92,873,383)	92,873,383	-
Gross profit	46,133,333	(40,034,763)	6,098,570
Gain from bargain purchase	12,014,432	2,520,193	14,534,625
Other income / (expense) – net	208,762	(180,717)	28,045
Administrative expense	(6,958,496)	1,827,767	(5,130,729)
Finance expense	(29,271,790)	29,171,483	(100,307)
Share of results from interest in associate	-	1,625,994	1,625,994
Profit before tax	22,126,241	(5,070,043)	17,056,198
Income tax expense	(7,496,424)	6,705,424	(791,000)
Profit for the year	14,629,817	1,635,381	16,265,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the financial years ended 31 March 2011, 2012 and 2013

35 Prior Year Adjustments (continued)

2011 Statement of financial position	Previously reported $	Adjustment $	Restated $
ASSETS			
Current assets			
Cash and bank balances	29,273,363	(24,728,507)	4,544,856
Trade and other receivables	14,629,310	5,387,307	20,016,617
Other current assets	42,100	(18,094)	24,006
Development properties	575,181,080	(562,864,827)	12,316,253
	619,125,853	(582,224,121)	36,901,732
Non-current assets			
Interest in associate	-	37,039,191	37,039,191
Available-for-sale investments	-	2,000,000	2,000,000
Property, plant and equipment	820,394	-	820,394
Deferred tax assets	433,786	463,469	897,255
	1,254,180	39,502,660	40,756,840
Total assets	620,380,033	(542,721,461)	77,658,572
LIABILITIES			
Current liabilities			
Trade and other payables	63,244,627	(36,684,198)	26,560,429
Borrowings	498,220,415	(478,253,540)	19,966,875
Current tax liabilities	802,822	897,255	1,700,077
	562,267,864	(514,040,483)	48,227,381
Non-current liabilities			
Borrowings	22,961,282	(22,863,254)	98,028
Sales proceeds received in advance	-	10,216,069	10,216,069
Deferred tax liabilities	10,740,757	(9,582,894)	1,157,863
	33,702,039	(22,230,079)	11,471,960
Total liabilities	595,969,903	(536,270,562)	59,699,341
NET ASSETS	24,410,130	(6,450,899)	17,959,231
EQUITY			
Share capital	5,000,000	-	5,000,000
Other reserve	5,010,027	(5,010,027)	-
Retained profits	14,364,594	(1,440,872)	12,923,722
Shareholder's equity	24,374,621	(6,450,899)	17,923,722
Non-controlling interest	35,509	-	35,509
Total equity	24,410,130	(6,450,899)	17,959,231

STATEMENT BY DIRECTORS
For the financial years ended 31 March 2011, 2012 and 2013

In the opinion of the directors,

the accompanying consolidated financial statements of the Group as set out on pages G-3 to G-74 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 March 2011, 2012 and 2013 and of the results, changes in equity and cash flows of the Group for the financial years ended 31 March 2011, 2012 and 2013 and 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.

On behalf of the directors

Ong Chih Ching Director	Leny Suparman Director

31 March 2014

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF KOP PROPERTIES PTE. LTD. AND ITS SUBSIDIARIES FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

31 March 2014

The Board of Directors
KOP Properties Pte. Ltd.
152 Beach Road
#27-01, The Gateway East
Singapore 189721

Dear Sirs

Introduction

We have reviewed the accompanying interim condensed unaudited consolidated financial statements of KOP Properties Pte. Ltd. (the "Company") and its subsidiaries (the "Group") which comprise the condensed consolidated statement of financial position as at 30 September 2013, and the related condensed consolidated statement of comprehensive income, changes in equity and cash flows of the Group for the period from 1 April 2013 to 30 September 2013, and selected explanatory notes, as set out on pages H-3 to H-31. Management is responsible for the preparation and fair presentation of the interim condensed consolidated financial statements in accordance with the Singapore Financial Reporting Standard No. 34, *Interim Financial Reporting* ("FRS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial statements based on our review.

Scope of Review
We conducted our review in accordance with Singapore Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with FRS 34.

Other Matters
Other than the Group's condensed consolidated statement of financial position as of 31 March 2013 which has been audited, the comparative figures have not been audited nor reviewed. The interim condensed consolidated financial information for the corresponding six months period ended 30 September 2013 is the responsibility of the management.

This report has been prepared solely to you for inclusion in the Shareholders' Circular of Scorpio East Holdings Ltd. in connection with the proposed acquisition of the entire issued and paid-up capital of KOP Properties Pte. Ltd. and for no other purposes.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Tay Hwee Ling
Partner

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Period from 1 April 2013 to 30 September 2013

	Note	1 April 2013 to 30 September 2013 (6 months) $ (Unaudited)	1 April 2012 to 30 September 2012 (6 months) $ (Unaudited)
Revenue	7	11,893,338	19,230,600
Cost of sales		(6,609,487)	(9,960,214)
Gross profit		5,283,851	9,270,386
Other income/(expense) - net	8	4,736,420	914,300
Administrative expenses		(8,630,138)	(6,231,227)
Finance expenses		(765,447)	(692,233)
Share of results from interest in associate		(298,742)	(625,064)
Profit before tax		325,944	2,636,162
Income tax expense	9	(68,405)	(2,620,146)
Profit for the period		257,539	16,016
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation		(64,575)	63,682
Total comprehensive income for the period		**192,964**	**79,698**

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Period from 1 April 2013 to 30 September 2013

	Note	1 April 2013 to 30 September 2013 (6 months) $ (Unaudited)	1 April 2012 to 30 September 2012 (6 months) $ (Unaudited)
Profit attributable to:			
Equity holders of the Company		123,690	9,471
Non-controlling interests		133,849	6,545
		257,539	16,016
Total comprehensive income attributable to:			
Equity holders of the Company		56,789	73,187
Non-controlling interests		136,175	6,511
		192,964	79,698
Earnings per share for income attributable to equity holders of the company ($ per share)			
- Basic and Diluted	10	0.01	0.001

See accompanying notes to financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

	Note	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
ASSETS			
Current assets			
Cash and bank balances	11	5,956,691	2,334,699
Trade and other receivables	12	3,411,119	15,828,299
Other current assets	13	554,186	2,252,545
Development properties	14	52,324,027	30,002,450
Inventories		265,332	236,894
		62,511,355	50,654,887
Non-current assets			
Interest in associate	15	35,607,324	44,927,395
Available-for-sale investments	16	-	2,000,000
Property, plant and equipment	17	39,704,444	34,727,536
Intangible assets		1,445	2,311
Deferred tax assets	18	1,626,012	1,063,565
		76,939,225	82,720,807
Total assets		139,450,580	133,375,694
LIABILITIES			
Current liabilities			
Trade and other payables	19	42,695,010	37,757,534
Borrowings	20	6,673,263	34,684,808
Sales proceeds received in advance		627,603	3,380,190
Current tax liabilities		3,927,592	4,406,883
		53,923,468	80,229,415
Non-current liabilities			
Borrowings	20	41,919,596	15,304,657
Sales proceeds received in advance		10,072,554	7,405,643
Deferred tax liabilities	18	1,799,386	1,834,912
		53,791,536	24,545,212
Total liabilities		107,715,004	104,774,627
NET ASSETS		31,735,576	28,601,067

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

	Note	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
EQUITY			
Share capital	21	15,000,000	15,000,000
Other reserve		1,257,555	(1,683,990)
Foreign currency translation reserve		21,426	88,327
Retained profits		14,067,685	13,943,995
Shareholder's equity		30,346,666	27,348,332
Non-controlling interest		1,388,910	1,252,735
Total equity		31,735,576	28,601,067

See accompanying notes to financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period from 1 April 2013 to 30 September 2013

	Note	Share capital $	Other reserve $	Retained profits $	Foreign currency translation reserve $	Total $	Non-controlling interest $	Total equity $
		← Attributable to equity holders of the Company →						
2013								
Balance at 1 April 2013 (Audited)		**15,000,000**	**(1,683,990)**	**13,943,995**	**88,327**	**27,348,332**	**1,252,735**	**28,601,067**
Profit for the period		-	-	123,690	-	123,690	133,849	257,539
Currency translation differences arising from consolidation		-	-	-	(66,901)	(66,901)	2,326	(64,575)
Total comprehensive income for the period		-	-	123,690	(66,901)	56,789	136,175	192,964
Capital contribution	23	-	2,941,545	-	-	2,941,545	-	2,941,545
Balance at 30 September 2013 (Unaudited)		**15,000,000**	**1,257,555**	**14,067,685**	**21,426**	**30,346,666**	**1,388,910**	**31,735,576**
2012								
Balance at 1 April 2012 (Audited)		**78,840,000**	**-**	**21,530,527**	**(873)**	**100,369,654**	**-**	**100,369,654**
Profit for the period		-	-	9,471	-	9,471	6,545	16,016
Currency translation differences arising from consolidation		-	-	-	63,716	63,716	(34)	63,682
Total comprehensive income for the period		-	-	9,471	63,716	73,187	6,511	79,698
Acquisition of subsidiaries		-	(1,683,330)	-	-	(1,683,330)	1,253,438	(429,892)
Balance at 30 September 2012 (Unaudited)		**78,840,000**	**(1,683,330)**	**21,539,998**	**62,843**	**98,759,511**	**1,259,949**	**100,019,460**

See accompanying notes to financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period from 1 April 2013 to 30 September 2013

	1 April 2013 to 30 September 2013 (6 months) $ (Unaudited)	1 April 2012 to 30 September 2012 (6 months) $ (Unaudited)
Operating activities		
Profit before tax	325,944	2,636,162
Adjustments for:		
- Depreciation of property, plant and equipment	755,221	98,163
- Amortisation of intangible assets	866	-
- Finance expense	765,447	692,233
- Management fee income from immediate holding corporation	(2,250,000)	-
- Management fee income from related corporation	(79,200)	-
- Other income	(1,227,481)	-
- Interest income	(283,511)	(393,772)
- Gain on disposal of an associate	-	(240,000)
- Unrealised exchange loss, net	129,725	(151,868)
- Share of results of associates	298,742	625,064
Operating cash flows before movements in working capital	(1,564,247)	3,265,982
Changes in working capital		
- Trade and other receivables	323,161	545,709
- Other current assets	(134,561)	3,907,228
- Development properties	(19,525,519)	(97,368)
- Inventories	(28,438)	(138,927)
- Trade and other payables	24,996,395	(4,106,881)
- Sales proceeds received in advance	(85,676)	(496,168)
Cash generated from operating activities	3,981,115	2,879,575
Interest paid	(1,487,249)	(1,092,877)
Interest received	28,634	23,757
Income tax paid	(991,459)	(1,242,897)
Net cash generated from operating activities	1,531,041	567,558

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period from 1 April 2013 to 30 September 2013

	1 April 2013 to 30 September 2013 (6 months) $ (Unaudited)	1 April 2012 to 30 September 2012 (6 months) $ (Unaudited)
Investing activities		
Purchase of property, plant and equipment	(3,846,277)	(1,952,165)
Acquisition of a subsidiary, net of cash acquired	-	(7,162,206)
Realisation of interest in associate	12,285,823	-
Additional investment in interest in associate	(3,300,000)	-
Disposal of available-for-sale investment	1,000,000	-
Disposal of a subsidiary, net of cash disposed (Note 23)	(1,042,306)	-
Net cash generated from (used in) investing activities	5,097,240	(9,114,371)
Financing activities		
Proceeds from borrowings	15,068,520	6,111,872
Repayment of borrowings	(18,006,128)	(460,896)
Repayment of lease liabilities	(22,730)	-
Increase in restricted cash placed in escrow accounts	(1,795,853)	-
Net cash (used in) generated from financing activities	(4,756,191)	5,650,976
Net increase (decrease) in cash and bank balances	1,872,090	(2,895,837)
Cash and cash equivalents at beginning of period	2,090,276	8,293,156
Effect of currency translation on cash and cash equivalents	(45,951)	(217,066)
Cash and cash equivalents at end of period	3,916,415	5,180,253

See accompanying notes to financial statements.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

1 General information

KOP Properties Pte Ltd (the "Company") is incorporated and domiciled in Singapore. The address of its registered office is 152 Beach Road, #27-01, The Gateway East, Singapore 189721.

The principal activity of the Company is that of investment holding, including business and investment management, asset management and consultancy services.

The interim condensed unaudited consolidated financial statements of the Group for the period from 1 April 2013 to 30 September 2013 were authorised for issue by the Board of Directors on 31 March 2014.

2 Basis of preparation

The interim condensed unaudited consolidated financial statements for the six months period ended 30 September 2013 have been prepared in accordance with Singapore Financial Reporting Standard No. 34 *Interim Financial Reporting* ("FRS 34").

The accounting policies adopted are consistent with those followed in the preparation of the audited consolidated financial statements for the latest annual period ended 31 March 2013.

3 Significant accounting policies

The interim condensed unaudited consolidated financial statements have been prepared using accounting policies consistent with the Singapore Financial Reporting Standards in accordance with the historical cost basis as disclosed in the accounting policies in the audited consolidated financial statements for the years ended 31 March 2011, 2012 and 2013.

4 Operations in the interim period

The Group's business is generally not subjected to significant seasonal fluctuations.

5 Critical accounting judgments and key sources of estimation uncertainty

The critical judgments and key sources of estimation uncertainty made by the management remain unchanged from the last audited financial year ended 31 March 2013.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

6 Financial risk and capital risk management policies

There have been no changes in the financial risk management policies of the Group and the Group's overall capital risk management remains unchanged and has been disclosed in the audited consolidated financial statements for the years ended 31 March 2011, 2012 and 2013.

7 Revenue

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Revenue		
Management and coordination fee	1,863,386	6,886,840
Hotel and resort operation	4,900,206	861,450
Sale of properties	5,129,746	11,482,310
	11,893,338	19,230,600

8 Other income / (expense) - Net

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Management fee from immediate holding corporation (Note 24)	2,250,000	-
Other income from immediate holding corporation [(i)] (Note 24)	1,227,481	-
Management fee from related corporation (Note 24)	79,200	-
Gain on disposal of an associate	-	240,000
Interest income	283,511	393,772
Commission income	262,506	336,392
Net exchange gains/(losses)	625,758	(172,801)
Others	7,964	116,937
	4,736,420	914,300

[(i)] Relates to reimbursement of initial public offering related expenses incurred in prior years by immediate holding corporation upon termination of the initial public offering exercise.

9 Income tax expense

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Tax expense attributable to profit is made up of:		
- Current income tax	93,497	2,016,831
- Tax penalty*	-	498,515
- Deferred income tax	(25,092)	104,800
	68,405	2,620,146

*Tax penalty expense relate to the penalty levied by overseas tax authority for late payment of tax liabilities.

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax as follows:

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Profit before tax	325,944	2,636,162
Share of loss of associate	298,742	625,064
Profit before tax and share of loss of associate	624,686	3,261,226
Tax calculated at a tax rate of 17%	106,197	554,408
Effects of:		
- Statutory stepped income exemption	(31,484)	(41,098)
- Deferred tax assets not recognised	201,486	13,997
- Income not subject to tax	(362,300)	(66,617)
- Expenses not deductible for tax purposes	1,199,906	2,476,847
- Different tax rates in other countries	(359,082)	(803,762)
- Utilisation of previously unrecognised tax losses	(88,193)	(12,144)
- Recognition of deferred tax benefits previously not recognised	(583,403)	-
- Tax penalty	-	498,515
- Others	(14,722)	-
	68,405	2,620,146

9 Income tax expense (continued)

The Group has tax loss carryforward not recognised in the statement of financial position available for offsetting against future taxable income as follows:

	Tax losses $ (Unaudited)
At 1 April 2012	6,801,520
Amount utilised	(331,218)
Acquisition of subsidiary	2,598,768
Arising during the year	770,648
At 31 March 2013	9,839,718
Amount utilised	(518,782)
Disposal of subsidiary	(37,470)
Recognised in profit or loss during the period	(2,456,435)
Arising during the year	1,185,210
At 30 September 2013	8,012,241

During the period, the Group recognised deferred tax benefits of $583,403 (31 March 2013: $Nil) on tax losses from its subsidiary in the United Kingdom computed at tax rate of 23.75%.

The realisation of the future income tax benefits from tax loss carryforwards and unutilised capital allowances that are available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

Deferred tax assets have not been recognised due to the unpredictability of future taxable profits.

10 Earnings per share

	1 April 2013 to 30 September 2013 (Unaudited)	1 April 2012 to 30 September 2012 (Unaudited)
Net profit attributable to equity holders of the Company ($)	123,690	9,471
Weighted average number of ordinary shares outstanding for basic and diluted earnings per share	15,000,000	14,239,700
Basic and diluted earnings per share ($ per share)	0.01	0.001

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

11 Cash and bank balances

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Cash at bank and on hand	3,916,415	2,090,276
Funds placed in escrow accounts	2,040,276	244,423
	5,956,691	2,334,699

Funds placed in escrow accounts relate to the minimum balance maintained with a bank to secure bank borrowings. The minimum balance is equivalent to the aggregate of six months' interest on the term loan for twelve months since first drawdown and thereafter three months' interest and principal during installment period.

For the purpose of presenting the condensed consolidated statement of cash flows, cash and cash equivalents comprise the following:

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Cash and bank balances	5,956,691	2,334,699
Less: Restricted cash placed in escrow accounts	(2,040,276)	(244,423)
Cash and cash equivalents	3,916,415	2,090,276

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

12 Trade and other receivables

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Trade receivables:		
- Associate	15,000	6,888,754
- Related corporations (Note 24)	48,000	124,183
- Third party	1,177,307	1,185,035
- Investee	-	3,664
	1,240,307	8,201,636
Non-trade receivables:		
- Associate	40,826	1,231,161
- Related corporations (Note 24)	806,809	572,216
- Investees	-	5,000,000
Other receivables	1,323,177	823,286
	3,411,119	15,828,299

The average credit period on trade receivables is 14 days (31 March 2013: 14 days). No interest is charged on the first 14 days on the outstanding balance, thereafter, interest is charged at 18% (31 March 2013: 18%) per annum.

The non-trade receivables due from investees were unsecured, interest-free and repayable on demand.

13 Other current assets

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Deposits	136,281	1,835,921
Prepayments	417,905	416,624
	554,186	2,252,545

For the financial year ended 31 March 2013, a deposit of $1,832,920 was paid for acquisition of a resort located in Seminyak, Bali, Indonesia. On 7 June 2013, the Group completed the acquisition of the resort and the deposit paid is transferred to development properties.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

14 Development properties

Development properties under construction consist of sold and unsold properties under development in Indonesia.

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Development properties		
(a) Completed property held for sale	10,682,618	12,699,647
(b) Property under development accounted for using the completed-contract method	41,641,409	17,302,803
	52,324,027	30,002,450

The interest expense capitalised during the period amounted to $877,392 (31 March 2013 : $1,236,108).

All development properties are mortgaged for bank borrowings. Borrowing costs capitalised during the financial year were from loans borrowed specifically for the development properties.

During the period, the Group completed the acquisition of a hotel resort in Bali and included the hotel resort under development property as the units of the hotel resort would be available for sales when the re-development is complete.

15 Interest in associate

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Investment in preference shares, at cost	-	1,285,823
Junior Notes receivable	32,778,394	23,432,311
Gain from bargain purchase	-	16,621,773
Cumulative share of profits of interest in associate	2,828,930	3,587,488
	35,607,324	44,927,395

15 Interest in associate (continued)

The summarised financial information of the interest in associate, not adjusted for the proportion of economic interest held by the Group is as follows:

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Unaudited)
Assets	288,712,908	318,977,034
Liabilities	(284,712,652)	(317,977,034)
Revenue	8,799,080	31,782,218
Net profit	-	-

The Preference Shares bears special interest which is based on total distributable profits for Royce Properties Pte. Ltd. ("Royce") after taxation and is recognised as a liability in Royce.

On 16 July 2013, there was a restructuring performed on the Junior Notes and Preference Shares for Royce. All the preference shares for Royce were cancelled and new Junior Notes were issued in place of the old Junior Notes with no change in the proportional entitlement to the economic benefits.

16 Available-for-sale investments

On 2 April 2013, the Group disposed of its investment in common share capital in Sardinia Properties Pte. Ltd. to a third party for a total consideration of $1,000,000 at carrying value.

On 16 April 2013, the Group disposed of its investment in Hayden Properties Pte. Ltd. for total consideration of $5,010,027. The excess of the consideration paid over the net tangible assets of $2,941,545 at the date of disposal is taken to other reserve as a deemed capital contribution from its immediate holding corporation (Note 23).

17 Property, plant and equipment

During the period, the Group incurred $3,846,277 (31 March 2013: $5,954,291) on acquisition of property, plant and equipment.

No impairment loss was recognised during the reporting period in respect of property, plant and equipment.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

18 Deferred tax

(a) Deferred tax assets

Movements in deferred tax assets as follows:

	Tax payable on advanced cash receipts	Tax losses	Total
	$	$	$
At 1 April 2012 (Audited)	(1,720,575)	-	(1,720,575)
Tax payable on cash received	(1,766,960)	-	(1,766,960)
Charge to profit or loss	2,423,970	-	2,423,970
At 31 March 2013 (Audited)	(1,063,565)	-	(1,063,565)
Tax payable on cash received	(465,145)	-	(465,145)
Charge (credit) to profit or loss	486,101	(583,403)	(97,302)
At 30 September 2013 (Unaudited)	(1,042,609)	(583,403)	(1,626,012)

(b) Deferred tax liabilities

Movements in deferred tax liabilities as follows:

	Accelerated tax depreciation	Interest income not received	Total
	$	$	$
At 1 April 2012 (Audited)	-	1,559,334	1,559,334
Charge to profit or loss	66,719	208,859	275,578
At 31 March 2013 (Audited)	66,719	1,768,193	1,834,912
Charge (credit) to profit or loss	78	72,132	72,210
Disposal of a subsidiary (Note 23)	-	(107,736)	(107,736)
At 30 September 2013 (Unaudited)	66,797	1,732,589	1,799,386

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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19 Trade and other payables

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Third party - Trade	5,165,507	6,937,299
Non-trade payables		
- Ultimate holding corporation (Note 24)	18,857,594	9,875,679
- Related corporations (Note 24)	4,933,127	1,917,002
Accrued operating expenses	1,431,934	907,808
Accrued development costs	4,073,612	6,284,238
Advances from related parties	-	968,750
Advances from third parties	-	4,031,250
Advances from non-controlling interest	1,549,708	1,440,725
Deposits received	-	600,000
Deferred income	3,848,862	3,953,164
Other payables	2,834,666	841,619
	42,695,010	37,757,534

The advances from third parties and non-controlling interest are unsecured, interest-free and repayable on demand.

The advances from related parties relate to advances from directors and shareholders of the immediate holding corporation and their related family members and are unsecured, interest-free and repayable on demand.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

20 Borrowings

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Current borrowings		
Bank borrowings	6,626,097	34,638,779
Finance lease liabilities	47,166	46,029
	6,673,263	34,684,808
Non-current borrowings		
Bank borrowings	41,618,692	14,979,886
Finance lease liabilities	300,904	324,771
	41,919,596	15,304,657
Total borrowings	48,592,859	49,989,465

Variable-rate borrowings amounting to $16,961,856 (31 March 2013 : $29,701,256) are contractually repriced between 2 to 3 months.

Fixed-rate borrowings amounting to $31,631,003 (31 Mar 2013 : $20,288,209) bear fixed interest rate of 7% per annum. The carrying amount of the fixed rate borrowings approximates its fair value at the end of the reporting period.

Finance lease liabilities

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Minimum lease payments due		
- Not later than one year	60,852	60,852
- Between one and five years	204,432	204,432
- Later than five years	131,175	161,601
	396,459	426,885
Less: Future finance charges	(48,389)	(56,085)
Present value of finance lease liabilities	348,070	370,800

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

20 Borrowings (continued)

The present values of finance lease liabilities are analysed as follows:

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Not later than one year	47,166	46,029
Between one and five years	175,194	171,280
Later than five years	125,710	153,491
Total	348,070	370,800

The Group's obligations under finance lease are secured by the lessor's title to the lease assets.

21 Share capital

	Number of shares	Amount $
At 1 April 2012	19,736,842	78,840,000
Capital reduction	(4,736,842)	(63,840,000)
At 31 March 2013 and 30 September 2013	15,000,000	15,000,000

22 Commitments

Capital commitments

Capital expenditures contracted for at the end of the reporting period but not recognised in the condensed unaudited consolidated financial statements are as follows:

	30 September 2013 $ (Unaudited)	31 March 2013 $ (Audited)
Development properties	11,302,805	17,322,485
Property, plant and equipment	666,241	761,685
	11,969,046	18,084,170

Operating lease commitment

At the end of the reporting period, the Group has outstanding commitment under non-cancellable operating lease, which fall due as follows:

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Within one year	433,294	-
In the second to fifth year inclusive	974,911	-
	1,408,205	-

Operating lease payments represent rental payable by the Group for rental of office properties and certain office equipment. Lease is negotiated for an average term of 2 to 5 years.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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23 Disposal of a subsidiary

Following the approval of the Group's management and shareholders on 16 April 2013, the Group has disposed its 100% interests in common shares in its subsidiary, Hayden Properties Pte. Ltd. ("Hayden") to the Company's immediate holding corporation for a total consideration of $5,010,027.

The effects of the disposal of a subsidiary under common control on the cash flows of the Group were as follows:

	$
Book value of assets and liabilities disposed	(Unaudited)
Cash on hand	1,042,306
Trade and other receivables	12,359,692
Interest in associate	1,285,812
Available-for-sale investments	1,000,000
Total assets	15,687,810
Trade and other payables	(13,511,592)
Deferred tax liabilities	(107,736)
Total liabilities	(13,619,328)
Net assets derecognised	(2,068,482)
Consideration for the disposal	5,010,027
Excess of purchase consideration over identifiable net assets taken to other reserve	2,941,545
Net cash outflow arising on disposal	
Consideration received	-
Less cash in subsidiary disposed	(1,042,306)
Cash outflow on disposal	(1,042,306)

The total consideration for the disposal of Hayden was $5,010,027 and the amount was settled by offsetting against the payable due to the immediate holding corporation.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

24 Holding corporation and related corporations

The Company's immediate and immediate holding corporation is KOP Group Pte. Ltd., incorporated in Singapore.

Some of the Group's transactions and arrangements are between members of the Group and other members of the immediate holding corporation not within the Group and the effect of these on the basis determined between the parties is reflected in the financial statements.

The balances between related corporations are unsecured, interest-free, expected to be settled in cash and repayable on demand unless stated otherwise.

Significant related corporations' transactions:

With immediate holding corporation:

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Sale of a subsidiary	(5,010,027)	-
Acquisition of subsidiaries	-	4
Shared services expenses	-	261,881
Disposal of investment in associate	-	(63,840,000)
Lease expense	474,207	73,227
Management fee income	(2,250,000)	-
Other income	(1,227,481)	-

With related corporations:

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Management fee income	(79,200)	-
Lease expenses	23,385	23,685
Ferry services expenses	49,844	107,119
Management fee expense	-	17,297

24 Holding corporation and related corporations (continued)

With associates:

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Bullet Investments Limited		
Management fee income	-	(1,666,650)
Royce Properties Pte. Ltd.		
Management fee income	-	(1,436,506)
Interest income	(254,877)	(370,015)
Commission income	(262,506)	(336,392)

25 Related party transactions

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances due to and from related parties are unsecured, interest-free and repayable on demand unless otherwise stated.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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25 Related party transactions (continued)

(a) Significant related party transactions are as follows:

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Sales of development properties		
- Directors	-	(356,650)
Management of development properties sold to directors	6,394	(3,306)
Acquisition of subsidiary from directors	-	8,401,576
Purchases from a company owned by directors	-	4,560
Administrative fee from directors	-	(31,685)
Management fee received from an entity owned by certain shareholders of the immediate holding corporation	(175,000)	(175,000)

(b) Compensation of directors and key management personnel

	1 April 2013 to 30 September 2013 $ (Unaudited)	1 April 2012 to 30 September 2012 $ (Unaudited)
Short term benefits		
Wages and salaries	1,105,721	1,184,200
Long term benefits		
Employer's contribution to Central Provident Fund	29,777	28,800
	1,135,498	1,213,000

26 Segment information

The operating segments are determined based on the reports reviewed by the chief operating decision-maker ("CODM"). The CODM has been identified as the directors of the Company, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). The CODM considers the operating segments to be as follows:

Real estate development and investment	The development, construction and sale of development properties
Real estate origination and management services	The provision of business and management services for projects, including acquisition of properties and undertaking the development conceptualisation, construction management, marketing and branding strategising and retail sales of such projects
Hospitality	Management and operation of hotels, including restaurants and spas

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

26 Segment information (continued)

Reportable segments

	Real estate development and investment	Real estate origination and management services	Hospitality	Inter-segment elimination	Total
	$	$	$	$	$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
1 April 2013 to 30 September 2013					
Revenue:					
Revenue from external customers	5,129,746	1,863,386	4,900,206	-	11,893,338
Inter-segment revenue	-	284,460	-	(284,460)	-
Total revenue	5,129,746	2,147,846	4,900,206	(284,460)	11,893,338
Finance expense	(477,531)	(7,902)	(280,014)	-	(765,447)
Depreciation and amortisation	(383,898)	(84,605)	(287,584)	-	(756,087)
Interest income	269,636	172	13,703	-	283,511
Share of results from interest in associate	(298,742)	-	-	-	(298,742)
Reportable segment profit (loss) before income tax	(874,967)	2,406,606	(1,205,695)	-	325,944
Income tax	(556,180)	(95,628)	583,403	-	(68,405)
As at 30 September 2013					
Reportable segment assets	103,901,213	1,496,117	32,427,238	-	137,824,568
Segment assets include:					
- Additions to non-current assets	3,495,600	231,155	119,522	-	3,846,277
Reportable segment liabilities	52,999,526	25,436,251	23,552,249	-	101,988,026

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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26 Segment information (continued)

Reportable segments

	Real estate development and investment $ (Unaudited)	Real estate origination and management services $ (Unaudited)	Hospitality $ (Unaudited)	Inter-segment elimination $ (Unaudited)	Total $ (Unaudited)
1 April 2012 to 30 September 2012					
Revenue:					
Revenue from external customers	11,482,310	6,886,840	861,450	-	19,230,600
Inter-segment revenue	-	969,230	-	(969,230)	-
Total revenue	11,482,310	7,856,070	861,450	(969,230)	19,230,600
Finance expense	(639,745)	(16)	(52,472)	-	(692,233)
Depreciation and amortisation	(50,277)	(22,357)	(25,529)	-	(98,163)
Interest income	393,598	-	174	-	393,772
Share of results from interest in associate	(625,064)	-	-	-	(625,064)
Reportable segment profit (loss) before income tax	(589,666)	4,501,463	(1,275,635)	-	2,636,162
Income tax	(1,751,461)	(868,685)	-	-	(2,620,146)
As at 31 March 2013					
Reportable segment assets	82,937,993	20,122,425	29,251,711	-	132,312,129
Segment assets include:					
- Additions to non-current assets	4,321,694	531,571	1,101,026	-	5,954,291
Reportable segment liabilities	46,066,623	31,336,280	21,129,929	-	98,532,832

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

26 Segment information (continued)

Reconciliations

(i) Segment assets

The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the CODM monitors the property, plant and equipment, receivables, operating cash and development properties attributable to each segment. All assets are allocated to the reportable segments other than deferred tax assets.

Segment assets are reconciled to total assets as follows:

	As at 30 September 2013 $	As at 31 March 2013 $
Segment assets for reportable segments	137,824,568	132,312,129
Unallocated:		
Deferred tax assets	1,626,012	1,063,565
	139,450,580	133,375,694

(ii) Segment liabilities

The amounts provided to the CODM with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities and deferred tax liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	As at 30 September 2013 $	As at 31 March 2013 $
Segment liabilities for reportable segments	101,988,026	98,532,832
Unallocated:		
Income tax liabilities	3,927,592	4,406,883
Deferred tax liabilities	1,799,386	1,834,912
	107,715,004	104,774,627

NOTES TO CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 30 September 2013

27 Events after the reporting period

(a) Investment in KOP Properties (HK) Limited ("KOP HK")

On 16 October 2013, the Group completed the acquisition of the 51% share capital in KOP HK from Bachmeer Capital Limited for a total consideration of HK$510,000. KOP HK is principally engaged in the business of property management and consulting.

Disclosures required by the revised FRS 103 *Business Combinations* have not been made as the acquisition occurred after the end of the reporting period and management is in the midst of appointing an independent and qualified professional valuer to determine the fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

(b) Restructuring of the shareholdings of KOP Properties Pte. Ltd. ("KOPP")

On 18 October 2013, KOPP completed the restructuring of its shareholdings where its ultimate holding company KOP Group Pte Ltd ("KOPG") transferred 40% of the issued and paid up ordinary share capital to 11 individuals of which 4 of them are either directors and/or ordinary shareholders of KOPG and KOPP.

(c) Agreement for the sale of the entire issued and paid up capital of KOP Properties Pte. Ltd. ("KOPP").

On 27 November 2013, the shareholders of KOPP entered into an agreement to sell the entire issued and paid-up ordinary share capital of KOPP to Scorpio East Holdings Ltd. ("Scorpio") for a total consideration of S$150,000,000. The agreement is subject to certain conditions including approval by the shareholders of Scorpio in its extraordinary general meeting to be convened.

(d) Option agreement for the acquisition of investment in Victory Hills Exhibitions ("VHE")

On 3 February 2014, KOPP entered into an agreement with KOPG to pay S$1 for an option to acquire 1,851.83 units in VHE for a total consideration of US$5,892,843. The option is valid for 6 months from the date of the agreement.

(e) Acquisition of shareholding interest in Art Heritage Singapore Pte. Ltd. ("AHS")

On 27 March 2014, KOPP acquired KOPG's 20% shareholding interest in AHS for an aggregate consideration of $1,150,000, comprising (a) $600,000 for the shareholding interest in AHS, and (b) $550,000 for advances provided to AHS by KOPG. In addition, pursuant to the acquisition, KOPG's rights, liabilities and obligations under the Shareholders' Agreement were transferred to the KOPP. Consequently on 27 March 2014, KOPP terminated its project management services agreement with KOPG and entered into the same with AHS.

STATEMENT OF DIRECTORS
For the period ended 30 September 2013

In the opinion of the directors, the interim condensed unaudited consolidated financial statements of KOP Properties Pte. Ltd. and its subsidiaries (the "Group") as set out on page H-3 to H-31 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 30 September 2013, and of the results, changes in equity and cash flows of the Group for the period from 1 April 2013 to 30 September 2013 and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

……………………………………………….
Ong Chih Ching
Director

……………………………………………….
Leny Suparman
Director

31 March 2014

31 March 2014

The Board of Directors
Scorpio East Holdings Ltd.
25 Tai Seng Ave
#06-01, Scorpio East Building
Singapore 534104

The Board of Directors
KOP Properties Pte Ltd
152 Beach Road
#27-01, The Gateway East
Singapore 189721

Dear Sirs

INDEPENDENT AUDITORS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

This report has been prepared for inclusion in the circular to the shareholders ("Circular") of Scorpio East Holdings Ltd. ("Scorpio" or the "Company") in connection with the proposed acquisition of the entire issued and paid-up capital of KOP Properties Pte Ltd ("KOP") and for no other purposes. The enlarged group of companies comprising the Company and its subsidiaries ("Scorpio Group") and KOP and its subsidiaries ("KOP Group"), following the completion of the proposed acquisition, are collectively known as the "Enlarged Group".

We have completed our assurance engagement to report on the compilation of pro forma financial information of the Enlarged Group consisting of the Company and its subsidiaries ("Scorpio Group") and KOP and its subsidiaries ("KOP Group") by the management of the Scorpio and the management of KOP (the "Management"). The pro forma financial information of the Scorpio Group and KOP Group consists of the pro forma statements of financial position as at 31 March 2013 and 30 September 2013, the pro forma statements of comprehensive income for the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013, the pro forma statements of cash flow for the financial year ended 31 March 2013 and 6 months period ended 30 September 2013, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages I-4 to I-26 of the Circular dated 31 March 2014 to be issued in connection with the proposed acquisition of the entire issued and paid up capital of KOP. The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared for illustrative purposes only and based on certain assumptions after making certain adjustments. The applicable criteria on the basis of which the Management has compiled the Unaudited Pro Forma Financial Information are described in Note 4.

The Unaudited Pro Forma Financial Information has been compiled by the Management to illustrate the impact of the event or transaction set out in Note 2 on:

(i) the unaudited pro forma financial position of the Enlarged Group as at 31 March 2013 and 30 September 2013 as if the event or transaction had occurred on 31 March 2013 and 30 September 2013 respectively;

(ii) the unaudited pro forma financial performance of the Enlarged Group for the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013 as if the event or transaction had occurred on 1 April 2010; and

(iii) the unaudited pro forma cash flows of the Enlarged Group for the financial year ended 31 March 2013 and 6 months period ended 30 September 2013 as if the event or transaction had occurred on 1 April 2012.

As part of this process, information about the Enlarged Group's financial position, financial performance and cash flows has been extracted by the Management from:

(a) the audited consolidated financial statements of KOP Group for the financial years ended 31 March 2011, 2012 and 2013 and unaudited interim consolidated financial statements of KOP Group for the 6 months period ended 30 September 2013 on which an audit and review report has been published respectively;

(b) the audited consolidated financial statements of Scorpio Group for the respective financial years ended 30 April 2011, 2012 and 2013 on which each of these published audit reports contained modification as disclosed in Note 4.3 (b); and

(c) the unaudited management accounts of Scorpio Group for the 5 months period ended 30 September 2013 on which no review or audit report has been published.

The Management's Responsibility for the Unaudited Pro Forma Financial Information

The Management is responsible for compiling the Unaudited Pro Forma Financial Information on the basis of the applicable criteria as described in Note 4.

Auditor's Responsibility

Our responsibility is to express an opinion about whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, by the Management on the basis of the applicable criteria as described in Note 4.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the Institute of Singapore Chartered Accountants. This standard requires that the auditor comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Management has compiled, in all material respects, the Unaudited Pro Forma Consolidated Financial Information on the basis of the applicable criteria as described in Note 4.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Management in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on auditor's judgment, having regard to his understanding of the nature of the company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion, the Unaudited Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria stated in Note 4.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

Tay Hwee Ling
Partner

UNAUDITED ENLARGED GROUP PRO FORMA STATEMENTS OF COMPREHENSIVE INCOME

For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

	31 March 2011 $	31 March 2012 $	31 March 2013 $	30 September 2013 $
Revenue	32,199,579	18,777,281	47,197,800	13,273,279
Cost of sales	(21,375,026)	(6,200,865)	(27,087,253)	(7,877,461)
Gross profit	10,824,553	12,576,416	20,110,547	5,395,818
Gain from bargain purchase	14,534,625	2,087,148	-	-
Other income / (expense) - net	(2,222,046)	(684,612)	2,691,129	4,741,543
Expenses				
- Administrative expenses	(9,991,328)	(12,098,572)	(18,039,814)	(10,866,156)
- Finance expenses	(534,228)	(1,830,137)	(1,809,477)	(926,224)
Share of results from interest in associate	1,625,994	5,775,428	1,097,844	(298,742)
Share of results from investment in an associated company	-	(240,000)	-	-
Profit (loss) before tax	14,237,570	5,585,671	4,050,229	(1,953,761)
Income tax expense	(848,379)	(1,943,669)	(4,039,392)	(68,405)
Profit (loss) for the year	13,389,191	3,642,002	10,837	(2,022,166)
Other comprehensive income (loss):				
Items that will be reclassified <u>subsequently to profit or loss</u>				
Currency translation differences arising from consolidation	(3,140)	(302)	84,066	(64,575)
Total comprehensive income (loss)	13,386,051	3,641,700	94,903	(2,086,741)
Profit (loss) attributable to:				
Equity holders of the Company	12,871,699	4,334,726	35,147	(2,073,099)
Non-controlling interest	517,492	(692,724)	(24,310)	50,933
	13,389,191	3,642,002	10,837	(2,022,166)
Total comprehensive income (loss) attributable to:				
Equity holders of the Company	12,867,889	4,334,091	122,010	(2,140,000)
Non-controlling interest	518,162	(692,391)	(27,107)	53,259
	13,386,051	3,641,700	94,903	(2,086,741)

The accompanying notes form an integral part of this unaudited pro forma financial information of the Enlarged Group.

UNAUDITED ENLARGED GROUP PRO FORMA STATEMENTS OF COMPREHENSIVE INCOME

For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

	31 March 2011	31 March 2012	31 March 2013	30 September 2013
Earnings (loss) per share for profit (loss) attributable to equity holders of the Company (cents per share)				
- Basic and Diluted	1.60	0.54	0.004	(0.26)

The accompanying notes form an integral part of this unaudited pro forma financial information of the Enlarged Group.

UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 March 2013 and 30 September 2013

	31 March 2013 $	30 September 2013 $
ASSETS		
Current assets		
Cash and bank balances	9,389,668	8,619,609
Trade and other receivables	19,259,210	5,437,211
Other current assets	2,252,545	554,186
Development properties	30,002,450	52,324,027
Inventories	428,186	363,416
Prepaid film rights	534,596	1,924,975
	61,866,655	69,223,424
Non-current assets		
Other receivables	118,612	-
Interest in associate	44,927,395	35,607,324
Available-for-sale investments	2,000,000	-
Property, plant and equipment	53,358,262	57,830,608
Investment property	10,843,481	10,843,482
Intangible assets	229,311	1,669,131
Deferred tax assets	1,063,565	1,626,012
	112,540,626	107,576,557
Total assets	174,407,281	176,799,981
LIABILITIES		
Current liabilities		
Trade and other payables	45,758,612	47,195,903
Borrowings	36,509,593	8,707,138
Sales proceeds received in advance	3,380,190	627,603
Current tax liabilities	4,455,534	3,976,243
	90,103,929	60,506,887
Non-current liabilities		
Borrowings	27,553,084	54,777,300
Sales proceeds received in advance	7,405,643	10,072,554
Deferred tax liabilities	1,834,912	1,799,386
	36,793,639	66,649,240
Total liabilities	126,897,568	127,156,127
NET ASSETS	47,509,713	49,643,854

The accompanying notes form an integral part of this unaudited pro forma consolidated financial information of the Enlarged Group.

UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 31 March 2013 and 30 September 2013

	31 March 2013 $	30 September 2013 $
EQUITY		
Share capital	34,337,652	34,337,652
Other reserve	(1,683,990)	1,257,555
Foreign currency translation reserve	88,327	21,426
Retained profits	13,660,777	12,868,328
Shareholder's equity	46,402,766	48,484,961
Non-controlling interest	1,106,947	1,158,893
Total equity	47,509,713	49,643,854

The accompanying notes form an integral part of this unaudited pro forma consolidated financial information of the Enlarged Group.

UNAUDITED ENLARGED GROUP PRO FORMA STATEMENTS OF CASHFLOW

For financial year ended 31 March 2013 and 6 months period ended 30 September 2013

		31 March 2013 $	30 September 2013 $
Operating activities			
Profit (loss) before tax		4,050,229	(1,953,761)
Adjustments for:			
- Amortisation of intangible assets		162,867	28,366
- Reversal of impairment on intangible assets		(37,435)	-
- Prepaid film rights written off		13,838	-
- Prepayments written off		7,317	-
- (Reversal of) Allowance for doubtful debts - trade		(24,381)	17,681
- Interest income on financial assets carried at amortised cost		(68,610)	-
- Depreciation of property, plant and equipment		1,406,205	1,324,363
- Finance expense		1,485,451	956,127
- Interest income, net		(451,699)	(283,511)
- Management fee income from immediate holding corporation		-	(2,250,000)
- Management fee income from related corporation		-	(79,200)
- Other income		-	(1,227,481)
- Allowance for inventory written down value		316,793	-
- Reversal of inventory obsolescence		-	(182,555)
- Fair value gain on investment property		(717,427)	-
- Gain on disposal of subsidiary		(41,598)	-
- Gain on disposal of an associate		(240,000)	-
- Share of results of associates		(1,097,844)	298,742
- Unrealised exchange loss (gain), net		91,765	127,047
Operating profit (loss) before working capital changes		4,855,471	(3,224,182)
Changes in working capital			
- Trade and other receivables		5,157,672	1,828,910
- Prepaid film rights		(419,447)	(1,390,379)
- Other current assets		(1,456,585)	(134,561)
- Development properties		(1,437,372)	(19,525,519)
- Inventories		22,358	247,325
- Trade and other payables		17,097,860	22,498,366
- Sales proceeds received in advance		(7,060,963)	(85,676)
Cash generated from operating activities		16,758,994	214,284
Interest paid		(3,055,709)	(1,680,086)
Interest received		37,717	28,634
Income tax paid		(2,104,653)	(991,459)
Net cash generated from (used in) operating activities		**11,636,349**	**(2,428,627)**
Investing activities			
Fixed deposits with maturity of more than 3 months		138,707	-
Purchase of intangible assets		(273,000)	(250,750)
Proceeds from disposal of property, plant and equipment		86,217	-
Disposal of a subsidiary, net of cash disposed		(30,561)	(1,042,306)
Net cash inflow arising from reverse acquisition	**Note A**	1,895,366	-
Purchases of property, plant and equipment		(6,037,275)	(3,846,277)
Acquisition of a subsidiary, net of cash acquired		(7,162,206)	-
Realisation of interest in associate		-	12,285,823
Additional investment in interest in associate		-	(3,300,000)
Disposal of available-for-sale investments		-	1,000,000
Net cash (used in) generated from investing activities		**(11,382,752)**	**4,846,490**

The accompanying notes form an integral part of this unaudited pro forma financial information of the Enlarged Group.

UNAUDITED ENLARGED GROUP PRO FORMA STATEMENTS OF CASHFLOW

For financial year ended 31 March 2013 and 6 months period ended 30 September 2013

		31 March 2013 $	30 September 2013 $
Financing activities			
Proceeds from borrowings		11,111,872	15,068,520
Repayment of borrowings		(4,751,996)	(18,920,003)
Proceeds from issuance of shares		3,835,000	2,210,000
Shareholder's loan		1,500,000	-
Repayment of shareholder's loan		(1,500,000)	(1,000,000)
Increase in restricted cash placed in escrow accounts		(244,423)	(1,795,853)
Proceeds from finance leases		-	1,997,080
Repayment of lease liabilities		(37,950)	(287,568)
Dividends paid to equity holders of the Company		(8,980,000)	-
Net cash generated from (used in) financing activities		**932,503**	**(2,727,824)**
Net increase (decrease) in cash and cash equivalents		1,186,100	(309,961)
Cash and cash equivalents at beginning of financial year/ period		8,293,156	6,935,245
Effects of currency translation on cash and bank balances		(334,011)	(45,951)
Cash and cash equivalents at end of the financial year/ period	**Note B**	**9,145,245**	**6,579,333**

The accompanying notes form an integral part of this unaudited pro forma financial information of the Enlarged Group.

UNAUDITED ENLARGED GROUP PRO FORMA STATEMENTS OF CASHFLOW

For financial year ended 31 March 2013 and 6 months period ended 30 September 2013

Note A:

The Proposed Acquisition as set out in Note 2.1 is assumed to have occurred at 1 April 2012 for the purpose of unaudited pro forma cash flow statement of the Enlarged Group. The recognised amounts of identifiable assets acquired and liabilities of Scorpio Group, adjusted for the fair value gain of the property, is assumed at the date of acquisition and based on assumptions in Note 4 are as follows:

	$
Current assets	
Cash and cash equivalents	7,054,969
Trade and other receivables	3,430,911
Prepaid film rights	534,596
Inventories	191,292
Non-current assets	
Other receivables	118,612
Intangible assets	227,000
Property, plant and equipment	18,630,726
Investment property	10,843,481
Current liabilities	
Trade and other payables	(6,801,721)
Borrowings	(1,824,785)
Current tax liabilities	(48,651)
Non-current liabilities	
Borrowings	(12,248,427)
Net assets acquired	20,108,003
Bargain purchase	
Consideration transferred	19,337,652
Non-controlling interest	(145,788)
	19,191,864
Less: Fair value of net assets acquired	(20,108,003)
	(916,139)
Net cash inflow arising from reverse acquisition:	
Add: Cash and bank balances acquired	4,844,969
Add: Effects on pro forma adjustments arising from the different basis of preparation of pro forma statement of financial position and income statement	(2,949,603)
	1,895,366

Note B:

	31 March 2013 $	30 September 2013 $
Cash and bank balances per statement of financial position	9,389,668	8,619,609
Less: Restricted cash	(244,423)	(2,040,276)
Cash and cash equivalents at end of year/ period	9,145,245	6,579,333

The accompanying notes form an integral part of this unaudited pro forma financial information of the Enlarged Group.

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

1. General information

1.1 Background of Scorpio East

Scorpio East Holdings Ltd. ("Scorpio" or the "Company") (Registration No. 200415164G) is incorporated in Singapore with its principal place of business and registered office at 25 Tai Seng Avenue, #06-01, Scorpio East Building, Singapore 534104. The Company is listed on the Catalist of Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in Singapore dollars.

The principal activity of the Company is to carry on the business of an investment holding company. The principal activities of the subsidiaries are disclosed in Note 3 below.

1.2 Background of KOP Properties

KOP Properties Pte Ltd ("KOP") is incorporated and domiciled in Singapore. The address of its registered office and principal place of activity is 152 Beach Road, #27-01, The Gateway East, Singapore 189721.

The principal activity of KOP is that of investment holding, including business and investment management, asset management and consultancy services. The principal activities of its subsidiaries are disclosed in Note 3 below.

2. Proposed Transactions

2.1 Proposed Acquisition

On 23 August 2013, the Company entered into a memorandum of understanding ("MOU") with the shareholders of KOP for the proposed acquisition of KOP ("Proposed Acquisition").

Further to the MOU, on 27 November 2013, the Company entered into conditional sale and purchase agreements with the shareholders of KOP to acquire the entire issued and paid-up capital of KOP and agreed the purchase consideration at $150 million ("Consideration").

The Consideration shall be fully satisfied by the allotment and issue of 714,285,714 new shares ("Consideration Shares") in the share capital of the Company at a proposed issue price of $0.210 per share (after the Proposed Share Consolidation, see 2.2).

Upon completion of the acquisition, the Company shall become the sole shareholder of the entire issued and paid-up capital of KOP.

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

2. Proposed Transactions (continued)

The issue of 714,285,714 new shares at an issue price of $0.210 by the Company in connection with the Proposed Acquisition would result in the shareholders of KOP will own approximately 88.58% interest in the enlarged share capital of the Company. As such, the Proposed Acquisition is accounted for as a reverse acquisition.

2.2 Proposed Share Consolidation

In conjunction with the Proposed Acquisition, the Company proposes to undertake a share consolidation to consolidate every two shares into one consolidated share immediately prior to the completion of the Proposed Acquisition. Upon completion of the Proposed Acquisition and Share Consolidation, the total number of issued shares of the Company will be 806,369,773 shares.

The above transactions are collectively referred to as the "Proposed Transactions".

3. Details of the Enlarged Group

Upon completion of the Proposed Transactions, the Company will have the following entities:

Name of companies	Principal activities	Country of incorporation	Effective Holding
Subsidiaries held by the Company			
Scorpio East Entertainment Pte. Ltd. [(a)]	Distribution of video programmes for home entertainment	Singapore	100
Scorpio East Multimedia Pte. Ltd. [(a)]	Packaging of disk media and distribution of film rights	Singapore	100
Scorpio East Pictures Pte. Ltd. [(a)]	Film production investment, provision of producer services, event organiser, acquisition and distribution of film rights	Singapore	100
Scorpio East Pictures Sdn. Bhd. [(f)]	Acquisition and distribution of film rights within the territory of Malaysia	Malaysia	51
Scorpio East Pictures (H.K.) Limited [(g)]	Dormant	Hong Kong	100
Scorpio East Leisure Pte. Ltd. [(g)]	Dormant	Singapore	100
Scorpio East Productions Pte. Ltd. [(a)]	Event Organiser	Singapore	52.63
Scorpio East Properties Pte. Ltd. [(a)]	Real estate activities	Singapore	100

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

3. Details of the Enlarged Group (continued)

Name of companies	Principal activities	Country of incorporation	Effective Holding
Subsidiaries held by KOP			
Montigo Nongsa Pte. Ltd. [(a)]	Real estate activities with own or leased property and business and management consultancy services	Singapore	100
P.T. Teguh Cipta Pratama [(b)]	Development and trade	Indonesia	100
KOP Properties Ltd [(c)]	Letting and operation of owned or leased real estate	United Kingdom	100
KOP Hospitality Pte. Ltd. (“KOP Hospitality”) [(a)(e)]	Management of hotels with restaurants	Singapore	100
The Cranley Hotel (IOM) Limited (“Cranley”) [(b)]	Property holding company	Isle of Man	85
Gramercy Properties Pte. Ltd. (“Gramercy”) [(a)(d)]	Real estate development	Singapore	100
KOP Properties (HK) Limited (“KOP HK”) [(h)]	Property, management and consultancy	Hong Kong	51
Subsidiaries held by KOP Hospitality			
KOP Luxury Lifestyles Pte. Ltd. [(a)(d)]	Publication of journals, periodical and magazines and provision of other reservation services	Singapore	100
Franklyn Hotels & Resorts (Europe) Limited [(c)(d)]	Hospitality management services	United Kingdom	100
Subsidiaries held by Cranley			
Cranley Hotel Limited [(c)]	Provision of hotel services	United Kingdom	85
Cranley Real Estate Limited [(c)]	Property holding company	United Kingdom	85
Subsidiary held by Gramercy			
P.T. Montigo Seminyak [(h)]	Business and management consultancy	Indonesia	100
Subsidiary held by KOP HK			
KOP Management Services (Shanghai) Co., Ltd [(h)]	Business operations management, brand operation management, property management, exhibition and event services (except for hosting), sales and marketing planning (excluding advertising) and business information consulting	People’s Republic of China	51
Associate held by KOP			
Art Heritage Singapore Pte. Ltd.[(n)]	Cultural exhibition and museum	Singapore	20

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

3. Details of the Enlarged Group (continued)

Notes:
(a) Audited by Deloitte & Touche LLP, Singapore
(b) Audited for consolidation by Deloitte & Touche LLP, Singapore
(c) Not required to be audited under the laws of the country of incorporation
(d) Acquired during the financial year ended 31 March 2013
(e) Incorporated during the financial year ended 31 March 2013
(f) Reviewed for consolidation purpose
(g) Not audited as the subsidiary is dormant since incorporation
(h) Acquired/ incorporated after the financial year ended 31 March 2013

4. Basis of preparation

4.1 The unaudited pro forma financial information of the Enlarged Group, which has been prepared, for illustrative purposes only and based on certain assumptions and after making certain adjustments on

(a) the unaudited pro forma financial position of the Enlarged Group as at 31 March 2013 and 30 September 2013 as if the event or transaction had occurred on 31 March 2013 and 30 September 2013 respectively;

(b) the unaudited pro forma financial performance of the Enlarged Group for the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013 as if the event or transaction had occurred on 1 April 2010; and

(c) the unaudited pro forma cash flows of the Enlarged Group for the financial year ended 31 March 2013 and 6 months period ended 30 September 2013 as if the event or transaction had occurred on 1 April 2012.

4.2 The unaudited pro forma financial information of the Enlarged Group, because of its nature, may not give a true picture of the Enlarged Group's actual financial positions, financial results and cash flows and is not necessarily indicative of the results of operations or related effects on financial position that would have been obtained had the Enlarged Group actually existed earlier.

4.3 The unaudited pro forma financial information of the Enlarged Group for the financial years ended 31 March 2011, 2012 and 2013 and 6 months period ended 30 September 2013 have been compiled based on the following:

(a) The audited consolidated financial statements of KOP Group for the financial years ended 31 March 2011, 2012 and 2013 prepared in accordance with Singapore Financial Reporting Standards ("FRS"), and audited by Deloitte & Touche LLP in accordance with Singapore Standards on Auditing for the purpose of inclusion in the Circular. The auditors' reports on the financial statements were not subject to any qualification. The unaudited interim consolidated financial statements of KOP Group for the 6 months period ended 30 September 2013 prepared in accordance with FRS, are reviewed by Deloitte & Touche LLP in accordance with Singapore Standard on Review Engagements.

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

4. Basis of preparation (continued)

(b) Scorpio has financial year end of 30 April while KOP have financial year end of 31 March. For the purpose of the preparation of the unaudited pro forma financial information, the audited consolidated financial statements of Scorpio Group for the respective financial years ended 30 April 2011, 2012 and 2013, which were prepared in accordance with FRS, have been used as if the financial years coincided with KOP's audited consolidated financial statements for the financial years ended 31 March 2011, 2012, and 2013 to derive the unaudited pro forma financial information of the Enlarged Group.

The audited consolidated financial statements of Scorpio Group for the respective financial years ended 30 April 2011, 2012 and 2013 were audited by Deloitte & Touche LLP. The auditors' report issued included qualified opinions, which were disclosed in the published annual reports dated 7 October 2011, 3 August 2012 and 2 August 2013 respectively. In respect of the investigation by Commercial Affairs Department ("CAD") which requires the Company's assistance, as disclosed in Note 33 to the financial statements for year ended 30 April 2013, management of Scorpio represented that the investigation by CAD is still in progress and to the best of the Directors' of the Company knowledge and belief, the effect of the investigation, if any, on the financial statements of Scorpio Group is not expected to be material.

The unaudited management accounts of Scorpio Group for 5 months period ended 30 September 2013 have not been audited or reviewed.

Management of Scorpio and KOP is of the opinion that the difference in the financial year end of one month will not have any material impact to the unaudited pro forma financial information of the Enlarged Group.

4.4 The unaudited pro forma financial information of the Enlarged Group have been prepared using reverse acquisition accounting as set out in FRS 103 *Business Combination* for the Proposed Acquisition. Under the reverse acquisition accounting:

(a) The legal subsidiary (accounting acquirer) will be KOP and the legal parent (accounting acquiree) will be the Company.

(b) The assets and liabilities of the legal subsidiary (the accounting acquirer) are recognised and measured at their pre-combination carrying amounts.

(c) The assets and liabilities of the legal parent (the accounting acquiree) are recognised and measured at fair value in accordance with FRS 103.

(d) The accumulated profits of the Enlarged Group are those of KOP before the business combination.

4. Basis of preparation (continued)

(e) The amount recognised as issued equity interests in the unaudited pro forma financial information of the Enlarged Group determined by adding the issued equity interest of the legal subsidiary (the accounting acquirer) outstanding immediately before the business combination to the cost of reverse acquisition. The cost of reverse acquisition by KOP of the Company is deemed to be incurred by the legal subsidiary in the form of equity issued to the owners of the legal parent and will be determined using the fair value of the issued equity just before the Proposed Acquisition.

4.5 In addition to the reverse acquisition accounting described above, the following key assumptions and adjustments were made on the unaudited pro forma financial information of the Enlarged Group:

(a) The cost of reverse acquisition of the Company by KOP in the form of equity issue to the owners of the Company has been assumed to be 92,084,058 shares (after Proposed Share Consolidation) at $0.210 per share for the purpose of this transaction. This may differ from the actual cost of reverse acquisition as it will depend on the share price of the Company at the date of the actual transfer of shares on the completion of the Proposed Transactions. Accordingly, the deemed consideration determined on the actual completion date may differ from the assumption used.

(b) The difference between the cost of reverse acquisition and the fair values of the net assets acquired is accounted as goodwill/bargain purchase. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss in respect of goodwill is not reversed in a subsequent period.

The fair value of the identifiable assets acquired and the liabilities assumed in the acquisition is assumed to be the net assets of Scorpio Group as at the acquisition date adjusted for the fair value gain of the property, for the purposes of preparation of the unaudited pro forma financial information of the Enlarged Group. The fair value gain of the property is assumed to be $7,129,649 as described below. This may differ from the fair values of the net assets as at the actual date of completion of the Proposed Transactions. The unaudited pro forma financial information excludes the effect of any deferred tax liability arising from the fair value adjustment. As the actual goodwill/bargain purchase will have to be determined at the completion of the Proposed Transactions, the actual goodwill/bargain purchase could be materially different from the amount derived based on the assumption used.

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

4. Basis of preparation (continued)

Based on the independent valuation report dated on 31 December 2013, the fair value gain of the property amounts to $7,129,649. The valuation of the property was arrived using Direct Comparison Method and based on assumption that the property has a tenure of 30 plus 30 years was performed in accordance with International Valuation Standards.

The difference between the cost of reverse acquisition and the fair values of the net assets acquired as at 31 March 2013 and 30 September 2013 is assumed to be a bargain purchase gain of $916,139 and goodwill of $1,217,436 respectively. Management of KOP is of the view that there will be expected synergies to benefit from the business combination of both KOP Group and Scorpio Group. For the purpose of the preparation of the unaudited pro forma financial information, any goodwill arising from the reverse acquisition is assumed not to be impaired.

(c) The remaining acquisition related costs relating to the Proposed Acquisition are assumed to be $1,199,357. This may differ from the actual cost at the completion of the Proposed Transactions.

(d) On 31 May 2013, the Company completed the placement of 34,000,000 new ordinary shares for cash at the issue price of $0.065 per share. The effect of placement shares has been incorporated in the pro forma financial position as at 31 March 2013.

(e) The unaudited pro forma financial information of the Enlarged Group set out in this report is expressed in Singapore Dollar (“$”).

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

5. Statement of adjustments

(a) Consolidated statement of comprehensive income for the 6 months period ended 30 September 2013

	Summation of Financial Information [1]	Pro Forma Adjustments	Pro Forma Financial Information
	$	(d)	$
Revenue	13,273,279		13,273,279
Cost of sales	(7,877,461)		(7,877,461)
Gross profit	5,395,818		5,395,818
Other income / (expense) - net	4,741,543		4,741,543
Expenses			
- Administrative expenses	(10,801,576)	(64,580)	(10,866,156)
- Finance expenses	(926,224)		(926,224)
Share of results from interest in associate	(298,742)		(298,742)
Loss before tax	(1,889,181)	(64,580)	(1,953,761)
Income tax expense	(68,405)		(68,405)
Loss for the year	(1,957,586)	(64,580)	(2,022,166)
Other comprehensive loss:			
Items that will be reclassified <u>subsequently to profit or loss</u>			
Currency translation differences arising from consolidation	(64,575)		(64,575)
Total comprehensive loss	(2,022,161)		(2,086,741)
Loss attributable to :			
Equity holders of the company	(2,008,519)		(2,073,099)
Non-controlling interest	50,933		50,933
	(1,957,586)		(2,022,166)
Total comprehensive loss attributable to:			
Equity holders of the Company	(2,075,420)		(2,140,000)
Non-controlling interest	53,259		53,259
	(2,022,161)		(2,086,741)

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

5. Statement of adjustments (continued)

(b) Consolidated statement of comprehensive income for the financial year ended 31 March 2013

	Summation of Financial Information (2)	Pro Forma Adjustments	Pro Forma Financial Information
	$	(d)	$
Revenue	47,197,800		47,197,800
Cost of sales	(27,087,253)		(27,087,253)
Gross profit	20,110,547		20,110,547
Other income / (expense) - net	2,691,129		2,691,129
Expenses			
- Administrative expenses	(17,884,822)	(154,992)	(18,039,814)
- Finance expenses	(1,809,477)		(1,809,477)
Share of results from interest in associate	1,097,844		1,097,844
Profit before tax	4,205,221		4,050,229
Income tax expense	(4,039,392)		(4,039,392)
Profit for the year	165,829	(154,992)	10,837
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	84,066		84,066
Total comprehensive income	249,895		94,903
Profit attributable to :			
Equity holders of the company	190,139		35,147
Non-controlling interest	(24,310)		(24,310)
	165,829		10,837
Total comprehensive income attributable to:			
Equity holders of the Company	277,002		122,010
Non-controlling interest	(27,107)		(27,107)
	249,895		94,903

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

5. Statement of adjustments (continued)

(c) Consolidated statement of comprehensive income for the financial year ended 31 March 2012

	Summation of Financial Information (2)	Pro Forma Adjustments	Pro Forma Financial Information
	$	(d)	$
Revenue	18,777,281		18,777,281
Cost of sales	(6,200,865)		(6,200,865)
Gross profit	12,576,416		12,576,416
Gain from bargain purchase	2,087,148		2,087,148
Other income / (expense) - net	(684,612)		(684,612)
Expenses			
- Administrative expenses	(11,943,580)	(154,992)	(12,098,572)
- Finance expenses	(1,830,137)		(1,830,137)
Share of results from interest in associate	5,775,428		5,775,428
Share of results from investment in an associated company	(240,000)		(240,000)
Profit before tax	5,740,663		5,585,671
Income tax expense	(1,943,669)		(1,943,669)
Profit for the year	3,796,994	(154,992)	3,642,002
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	(302)		(302)
Total comprehensive income	3,796,692		3,641,700
Profit attributable to :			
Equity holders of the company	4,489,718		4,334,726
Non-controlling interest	(692,724)		(692,724)
	3,796,994		3,642,002
Total comprehensive income attributable to:			
Equity holders of the Company	4,489,083		4,334,091
Non-controlling interest	(692,391)		(692,391)
	3,796,692		3,641,700

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

5. Statement of adjustments (continued)

(d) Consolidated statement of comprehensive income for the financial year ended 31 March 2011

	Summation of Financial Information (2)	Pro Forma Adjustments	Pro Forma Financial Information
	$	(d)	$
Revenue	32,199,579		32,199,579
Cost of sales	(21,375,026)		(21,375,026)
Gross profit	10,824,553		10,824,553
Gain from bargain purchase	14,534,625		14,534,625
Other income / (expense) - net	(2,222,046)		(2,222,046)
Expenses			
- Administrative expenses	(9,836,336)	(154,992)	(9,991,328)
- Finance expenses	(534,228)		(534,228)
Share of results from interest in associate	1,625,994		1,625,994
Profit before tax	14,392,562		14,237,570
Income tax expense	(848,379)		(848,379)
Profit for the year	13,544,183	(154,992)	13,389,191
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation	(3,140)		(3,140)
Total comprehensive income	13,541,043		13,386,051
Profit attributable to :			
Equity holders of the company	13,026,691		12,871,699
Non-controlling interest	517,492		517,492
	13,544,183		13,389,191
Total comprehensive income attributable to:			
Equity holders of the Company	13,022,881		12,867,889
Non-controlling interest	518,162		518,162
	13,541,043		13,386,051

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

5. Statement of adjustments (continued)

(e) Consolidated statement of financial position at 30 September 2013

	Summation of Financial Information [3]	Pro Forma Adjustments		Pro Forma Financial Information
	$	(b)	(c)	$
ASSETS				
Current assets				
Cash and bank balances	8,619,609			8,619,609
Trade and other receivables	5,437,211			5,437,211
Other current assets	554,186			554,186
Development properties	52,324,027			52,324,027
Inventories	363,416			363,416
Prepaid film rights	1,924,975			1,924,975
	69,223,424			69,223,424
Non-current assets				
Investment in subsidiaries	-	150,000,000	(150,000,000)	-
Interest in associate	35,607,324			35,607,324
Property, plant and equipment	50,700,959		7,129,649	57,830,608
Investment property	10,843,482			10,843,482
Intangible assets	451,695		1,217,436	1,669,131
Deferred tax assets	1,626,012			1,626,012
	99,229,472	150,000,000	(141,652,915)	107,576,557
Total assets	168,452,896	150,000,000	(141,652,915)	176,799,981

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

5. Statement of adjustments (continued)
(e) Consolidated statement of financial position at 30 September 2013

	Summation of Financial Information [3]	Pro Forma Adjustments		Pro Forma Financial Information
	$	(b)	(c)	$
LIABILITIES				
Current liabilities				
Trade and other payables	45,996,546	1,199,357		47,195,903
Borrowings	8,707,138			8,707,138
Sales proceeds received in advance	627,603			627,603
Current tax liabilities	3,976,243			3,976,243
	59,307,530	1,199,357		60,506,887
Non-current liabilities				
Borrowings	54,777,300			54,777,300
Sales proceeds received in advance	10,072,554			10,072,554
Deferred tax liabilities	1,799,386			1,799,386
	66,649,240			66,649,240
EQUITY				
Share capital	33,396,087	150,000,000	(150,000,000)	34,337,652
			19,337,652	
			(18,396,087)	
Other reserves	1,257,555			1,257,555
Foreign currency translation reserve	21,418		8	21,426
Retained profits	6,662,173	(1,199,357)	7,405,512	12,868,328
Shareholder's equity	41,337,233	148,800,643	(141,652,915)	48,484,961
Non-controlling interest	1,158,893			1,158,893
Total equity	42,496,126	148,800,643	(141,652,915)	49,643,854
Total liabilities and equity	168,452,896	150,000,000	(141,652,915)	176,799,981

5. Statement of adjustments (continued)

(f) Consolidated statement of financial position at 31 March 2013

	Summation of Financial Information [4]	Pro Forma Adjustments			Pro Forma Financial Information
	$	(a)	(b)	(c)	$
ASSETS					
Current assets					
Cash and bank balances	7,179,668	2,210,000			9,389,668
Trade and other receivables	19,259,210				19,259,210
Other current assets	2,252,545				2,252,545
Development properties	30,002,450				30,002,450
Inventories	428,186				428,186
Prepaid film rights	534,596				534,596
	59,656,655	2,210,000			61,866,655
Non-current assets					
Other receivables	118,612				118,612
Investment in subsidiaries	-		150,000,000	(150,000,000)	-
Interest in associate	44,927,395				44,927,395
Available-for-sale investments	2,000,000				2,000,000
Property, plant and equipment	46,228,613			7,129,649	53,358,262
Investment property	10,843,481				10,843,481
Intangible assets	229,311				229,311
Deferred tax assets	1,063,565				1,063,565
	105,410,977		150,000,000	(142,870,351)	112,540,626
Total assets	165,067,632	2,210,000	150,000,000	(142,870,351)	174,407,281

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and 6 months period ended 30 September 2013

5. Statement of adjustments (continued)

(f) Consolidated statement of financial position at 31 March 2013

	Summation of Financial Information [(4)]	Pro Forma Adjustments			Pro Forma Financial Information
	$	(a)	(b)	(c)	$
LIABILITIES					
Current liabilities					
Trade and other payables	44,559,255		1,199,357		45,758,612
Borrowings	36,509,593				36,509,593
Sales proceeds received in advance	3,380,190				3,380,190
Current tax liabilities	4,455,534				4,455,534
	88,904,572		1,199,357		90,103,929
Non-current liabilities					
Borrowings	27,553,084				27,553,084
Sales proceeds received in advance	7,405,643				7,405,643
Deferred tax liabilities	1,834,912				1,834,912
	36,793,639				36,793,639
EQUITY					
Share capital	31,186,087	2,210,000	150,000,000	(150,000,000) 19,337,652 (18,396,087)	34,337,652
Other reserve	(1,683,990)				(1,683,990)
Foreign currency translation reserve	89,685			(1,358)	88,327
Retained profits	8,670,692		(1,199,357)	5,273,303 916,139	13,660,777
Shareholder's equity	38,262,474	2,210,000	148,800,643	(142,870,351)	46,402,766
Non-controlling interest	1,106,947				1,106,947
Total equity	39,369,421	2,210,000	148,800,643	(142,870,351)	47,509,713
Total liabilities and equity	165,067,632	2,210,000	150,000,000	(142,870,351)	174,407,281

NOTES TO UNAUDITED ENLARGED GROUP PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
For the financial years ended 31 March 2011, 2012, 2013 and period ended 30 September 2013

5. Statement of adjustments (continued)

(1) The Summation of Financial Information comprises the unaudited interim consolidated statement of comprehensive income of KOP Group for the 6 months period ended 30 September 2013 and unaudited management accounts of Scorpio Group for the 5 months period ended 30 September 2013.

(2) The Summation of Financial Information comprises the audited consolidated statement of comprehensive income of KOP Group for financial years ended 31 March 2011, 2012 and 2013 and audited consolidated statement of comprehensive income of Scorpio Group for financial years ended 30 April 2011, 2012 and 2013.

(3) The Summation of Financial Information comprises the unaudited interim consolidated balance sheet of KOP Group for the 6 months period ended 30 September 2013 and unaudited management accounts of Scorpio Group for the 5 months period ended 30 September 2013.

(4) The Summation of Financial Information comprises the audited consolidated balance sheet of KOP Group for financial year ended 31 March 2013 and audited consolidated balance sheet of Scorpio Group for financial year ended 30 April 2013.

Details of adjustments made are as follows:

(a) Being adjustment to account the effect of placement shares of $2,210,000 for cash by Scorpio.
(b) Being adjustment to reflect the Proposed Acquisition Note 2.2, including acquisition related costs, as at 31 March 2013 and 30 September 2013 respectively.
(c) Being adjustment to reflect the reverse acquisition of Scorpio (accounting acquiree) by KOP (accounting acquirer) as described in Note 4.5 as at 31 March 2013 and 30 September 2013 respectively.
(d) Being adjustment to account the effect of changes to depreciation arising from the fair value adjustment of the property.

6. Earnings (loss) per share

Earnings (loss) per share have been calculated based on the profit (loss) attributable to the equity holders of the Company for each of the financial year and 806,369,772 shares in the Company upon completion of the Proposed Transactions.

SCORPIO EAST HOLDINGS LTD.

(Company Registration Number: 200415164G)
(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of Scorpio East Holdings Ltd. (the "**Company**") will be held at 25 Tai Seng Avenue, #01-01, Scorpio East Building, Singapore 534104 on 25 April 2014 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following ordinary and special resolutions, with or without any modifications:

All capitalised terms in this Notice which are not defined herein shall have the same meanings ascribed to them in the Company's circular dated 31 March 2014.

AS ORDINARY RESOLUTIONS

Resolution 1:

The proposed acquisition of the entire issued and paid-up share capital of KOP Properties Pte. Ltd. (the "Target Company") for the consideration of S$150 million from:

(a) KOP Group Pte. Ltd.;

(b) Ong Chih Ching;

(c) Leny Suparman;

(d) Ong Siew Ting, Geraldine;

(e) Jin Lu;

(f) Ang Yew Lai;

(g) Han Seng Juan;

(h) Ong Phang Hoo;

(i) Cho Kim Wing;

(j) Te Kok Chiew;

(k) Low Kheng Hong @ Lau Kheng Hong; and

(l) Wang Xuan

(the "Vendors")

THAT subject to and contingent upon Resolution 4 being passed:

(a) approval be and is hereby given to the Company for the acquisition of the entire issued and paid-up share capital of the Target Company from the Vendors (the "**Proposed Acquisition**") on the terms and subject to the conditions of the conditional sale and purchase agreements dated 27 November 2013 entered into between the Company and the Vendors; and

(b) authority be and is hereby given for the directors of the Company (the "**Directors**") to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be necessary or expedient for the purposes of giving effect to the Proposed Acquisition or to give effect to this Resolution or the transactions contemplated by the Proposed Acquisition.

Resolution 2:

The proposed consolidation of every 2 existing Shares of the Company into 1 Consolidated Share

THAT subject to and contingent upon the passing of Resolution 1 and Resolution 4, approval be and is hereby given to the Company for the consolidation of every 2 existing ordinary shares in the capital of the Company into 1 consolidated share ("**Consolidated Share**") in the capital of the Company.

Resolution 3:

The allotment and issue of 714,285,714 Consideration Shares to the Vendors at the Issue Price of S$0.21 for each Consideration Share in satisfaction of the Consideration

THAT subject to and contingent upon Resolution 1 and Resolution 4 being passed, pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to issue and allot 714,285,714 new Consolidated Shares (the "**Consideration Shares**") to the Vendors at an issue price of S$0.21 per Consideration Share ("**Issue Price**").

Resolution 4:

The proposed whitewash resolution for the waiver by Independent Shareholders of their right to receive a mandatory offer from KOPG and its concert parties

Pursuant to the letter dated 25 February 2014 from the Securities Industry Council, the shareholders of the Company who are not involved in or interested in the Proposed Acquisition ("**Independent Shareholders**"), on a poll taken, do hereby unconditionally and irrevocably waive their right to receive a general offer under Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**") for all the shares held by them to be made by KOPG and its concert parties at the highest price paid or agreed to be paid by KOPG and its concert parties in the 6 months prior to KOPG and its concert parties incurring the mandatory general offer under Rule 14 of the Code, as a result of the acquisition by KOPG (and its concert parties) of more than 30% of the voting rights in the Company pursuant to the allotment and issue of the Consideration Shares.

Resolution 5:

The proposed allotment and issue of up to 80 million Placement Shares pursuant to the Proposed Placement

THAT subject to and contingent upon the passing of Resolution 1 and Resolution 4 being passed and the Proposed Acquisition being completed: (a) the Directors be and are hereby authorised to allot and issue up to 80 million new Consolidated Shares ("**Placement Shares**") (out of which approximately 40 million Placement Shares will be placed for the purpose of complying with the relevant shareholding and distribution requirements of the SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended, supplemented or revised from time to time) at a minimum placement price of S$0.21 per Placement Share (as well as if the placement price is at a discount of more than 10% to the weighted average price for the trades done on Catalist for the full Market Day on which the placement agreement is signed) in such manner and on such terms and conditions that the Directors may determine, and to determine as they deem fit the terms and conditions under which the Placement Shares are to be offered, allotted and issued including, without limitation (1) the number of Placement Shares to be issued, provided that no more than 80 million Placement Shares may be issued, and (2) the timing of and whether to issue the Placement Shares; and (b) authority be and is hereby given for the Directors to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be necessary or expedient for the purposes of giving effect to this Resolution.

Resolution 6:

The proposed appointment of Ong Chih Ching as a new Director upon completion of the Proposed Acquisition

THAT subject to and contingent upon Resolution 1 and Resolution 4 being passed and the Proposed Acquisition being completed, subject further to her individual consent to act, Ong Chih Ching be appointed as a Director with effect from the completion of the Proposed Acquisition.

Resolution 7:

The proposed appointment of Leny Suparman as a new Director upon completion of the Proposed Acquisition

THAT subject to and contingent upon Resolution 1 and Resolution 4 being passed and the Proposed Acquisition being completed, subject further to her individual consent to act, Leny Suparman be appointed as a Director with effect from the completion of the Proposed Acquisition.

Resolution 8:

The proposed appointment of Lee Kiam Hwee Kelvin as a new Director upon completion of the Proposed Acquisition

THAT subject to and contingent upon Resolution 1 and Resolution 4 being passed and the Proposed Acquisition being completed, subject further to his individual consent to act, Lee Kiam Hwee Kelvin be appointed as a Director with effect from the completion of the Proposed Acquisition.

Resolution 9:

The proposed appointment of Yu-Foo Yee Shoon as a new Director upon completion of the Proposed Acquisition

THAT subject to and contingent upon Resolution 1 and Resolution 4 being passed and the Proposed Acquisition being completed, subject further to her individual consent to act, Yu-Foo Yee Shoon be appointed as a Director with effect from the completion of the Proposed Acquisition.

AS SPECIAL RESOLUTION

Resolution 10:

The proposed change of name of the Company from "Scorpio East Holdings Ltd." to "KOP Limited"

THAT subject to and contingent upon Resolution 1 and Resolution 4 being passed and subject to and with effect from completion of the Proposed Acquisition, and subject to compliance with applicable laws and regulatory requirements, the name of the Company be changed to "KOP Limited" and that the name "Scorpio East Holdings Ltd." shall be substituted for "KOP Limited", wherever the latter name appears in the Company's Memorandum and Articles of Association.

By Order of the Board

Tan Siew Hua
Teo Meng Keong
Company Secretaries

Singapore, 31 March 2014

Explanatory Notes**:**

1. A member entitled to attend and vote at the EGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 25 Tai Seng Avenue, #06-01, Scorpio East Building, Singapore 534104 not less than 48 hours before the time appointed for holding the EGM.

3. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

*This Notice has been prepared by the Company and its contents have been reviewed by the Company's continuing sponsor ("**Continuing Sponsor**"), SAC Capital Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Company's Continuing Sponsor has not independently verified the contents of this Notice.*

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

The contact person for the Continuing Sponsor is:
Name: Mr Ong Hwee Li
Address: 1 Robinson Road #21-02 AIA Tower Singapore 048542
Tel: (65) 6221 5590

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SCORPIO EAST HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200415164G)

IMPORTANT:
1. For investors who have used their CPF monies to buy shares in Scorpio East Holdings Ltd., this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote, must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

EXTRAORDINARY GENERAL MEETING – PROXY FORM

I/We, ____

of ____

being member/members of **Scorpio East Holdings Ltd.** hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		No. of Shares	**(%)**
Address			

and/or*

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		No. of Shares	**(%)**
Address			

or failing *him/her/them, the Chairman of the Extraordinary General Meeting of the Company as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Extraordinary General Meeting of the Company to be held at 25 Tai Seng Avenue, #01-01, Scorpio East Building, Singapore 534104 on 25 April 2014 at 9:30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting).

Capitalised terms used in this Proxy Form shall bear the meanings ascribed to them in the circular to Shareholders dated 31 March 2014 unless otherwise defined herein or where the context otherwise requires. Please refer to the Notice of EGM for a detailed description of the Resolutions.

No.	**Resolutions**	**To be used on a show of hands**		**To be used in the event of a poll**	
		For**	**Against****	**Number of Votes For****	**Number of Votes Against****
1.	**Resolution 1: Ordinary Resolution** The proposed acquisition of the entire issued and paid-up share capital of KOP Properties Pte. Ltd. for the consideration of S$150 million ("**Consideration**") from the Vendors				
2.	**Resolution 2: Ordinary Resolution** The proposed share consolidation of every 2 existing Shares into 1 Consolidated Share				
3.	**Resolution 3: Ordinary Resolution** The proposed allotment and issue of 714,285,714 Consideration Shares to the Vendors at the Issue Price of S$0.21 for each Consideration Share in satisfaction of the Consideration				
4.	**Resolution 4: Ordinary Resolution** The proposed whitewash resolution for the waiver by Independent Shareholders of their right to receive a mandatory offer from KOPG and its concert parties				
5.	**Resolution 5: Ordinary Resolution** The proposed allotment and issue of up to 80 million Placement Shares pursuant to the Proposed Placement				
6.	**Resolution 6: Ordinary Resolution** The appointment of Ong Chih Ching as a director of the Company upon completion of the Proposed Acquisition				
7.	**Resolution 7: Ordinary Resolution** The appointment of Leny Suparman as a director of the Company upon completion of the Proposed Acquisition				
8.	**Resolution 8: Ordinary Resolution** The appointment of Lee Kiam Hwee Kelvin as a director of the Company upon completion of the Proposed Acquisition				
9.	**Resolution 9: Ordinary Resolution** The appointment of Yu-Foo Yee Shoon as a director of the Company upon completion of the Proposed Acquisition				
10.	**Resolution 10: Special Resolution** The proposed change of name of the Company from "Scorpio East Holdings Ltd." to "KOP Limited"				

Dated this ________ day of _____________ 2014

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal

* please delete accordingly.
** if you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

IMPORTANT: PLEASE READ THE NOTES BELOW:

Explanatory Notes:

(1) Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert the number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.

(2) A Member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a Member of the Company.

(3) The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 25 Tai Seng Avenue, #06-01, Scorpio East Building, Singapore 534104 not less than 48 hours before the time appointed for holding the Extraordinary General Meeting. If a shareholder submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy should be revoked.

(4) Where a Member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy is an alternate to the first named or at the Company's option to treat this proxy form as invalid.

(5) 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 either under its common seal or under the hand of any officer or attorney duly authorised.

(6) Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

(7) A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

(8) The Company shall be entitled to reject this instrument of proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy lodged if such Shareholder is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.