PROVENANCE CAPITAL PTE. LTD.
(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

28 February 2018

To: The Recommending Directors of Rowsley Ltd.
(deemed to be independent in respect of the Proposed Acquisition and the Proposed Whitewash Resolution)

Mr Ng Ser Miang	(Chairman and Non-Executive Independent Director)
Mr Lai Huen Poh	(Executive Director)
Mr Ong Pang Liang	(Independent Director)

Dear Sirs,

A. THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF SASTERIA PTE. LTD. AND THE WARRANTS OF TMC LIFE SCIENCES BERHAD AS AN INTERESTED PERSON TRANSACTION; AND

B. THE PROPOSED WHITEWASH RESOLUTION FOR MR LIM ENG HOCK AND HIS CONCERT PARTIES IN CONNECTION WITH THE PROPOSED ACQUISITION

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the circular to the shareholders of the Company ("**Shareholders**") dated 28 February 2018 ("**Circular**"). For the purpose of our IFA Letter, where applicable, we have used the foreign exchange rate of S$1.00:MYR2.9689 on 15 February 2018, being the Latest Practicable Date referred to in the Circular, unless otherwise stated. The above foreign exchange rate is extracted from published information by Bloomberg L.P. and is provided solely for information only.*

1. INTRODUCTION

1.1 Term Sheet

On 18 July 2017 ("**Initial Announcement Date**"), the board of directors ("**Board**") of Rowsley Ltd. ("**Company**" and together with its subsidiaries, "**Group**") announced ("**Initial Announcement**"), *inter alia*, that:

(a) the Company had entered into a non-legally binding term sheet ("**Term Sheet**") with Mr Lim Eng Hock ("**Vendor**" or "**Peter Lim**"), a controlling Shareholder, setting out the principal indicative terms in relation to the proposed acquisition by the Group of 100% of the issued share capital of Sasteria Pte. Ltd. ("**Target Company**" and together with its subsidiaries, the "**Target Group**"). The consideration for the proposed acquisition of the Target Company was then stated as up to S$1,900,000,000 which will be payable by the Company by the issuance of up to 25,333,333,334 ordinary shares ("**Shares**") in the capital of the Company at an issue price of S$0.075 per Share.

The proposed acquisition of the Target Company constitutes an interested person transaction under Chapter 9 of the listing manual ("**Listing Manual**") of the Singapore Exchange and Securities Trading Limited ("**SGX-ST**"), as Peter Lim is the Company's controlling Shareholder; and

(b) subject to the consummation of the proposed acquisition, the Company is proposing an issue of bonus warrants and piggyback warrants ("**Proposed Bonus Issue**").

The Proposed Bonus Issue is subject to Shareholders' approval but none of the Shareholders need to abstain from voting on it as it is not deemed as an interested person transaction unlike the proposed acquisition of the Target Company. However, while the Proposed Bonus Issue is subject to the completion of the proposed acquisition of the Target Company, the proposed acquisition of the Target Company is not conditional upon the Proposed Bonus Issue being proceeded with. Details of the Proposed Bonus Issue are set out in Section 2 of the Circular.

The present principal business of the Target Company is investment holding. Its principal subsidiaries are Thomson Medical Pte Ltd ("**Thomson Medical**") and TMC Life Sciences Berhad ("**TMCLS**"). TMCLS is listed on the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

The purchase consideration for the proposed acquisition also envisaged a possible acquisition of one or more medical practices to expand the Target Group's offerings ("**Potential Target Expansion**").

TMCLS has outstanding warrants expiring in June 2019 ("**TMCLS Warrants**") which are listed on Bursa Securities and the Target Group, through its wholly-owned subsidiary, Sasteria (M) Pte Ltd ("**SAS(M)**"), owns some of these TMCLS Warrants. At the time of signing of the Term Sheet, the parties have not agreed on the terms of the acquisition of the TMCLS Warrants and hence, the Term Sheet provided that parties to the Term Sheet had acknowledged that, *inter alia*, SAS(M) may dispose of or transfer all of its TMCLS Warrants to a vehicle nominated by the Vendor, and, if so, such TMCLS Warrants will not form part of the assets of the Target Group. Accordingly, the consideration for the proposed acquisition of the Target Company of up to S$1.9 billion does not include the consideration for the TMCLS Warrants held by SAS(M).

1.2 Acquisition Agreement

On 18 December 2017 ("**Announcement Date**"), the Board announced ("**Announcement**"), *inter alia*, that the Company had, on the same day, entered into a sale and purchase agreement with the Vendor ("**Acquisition Agreement**") in relation to:

(i) the acquisition of 100% equity interest of the Target Company for a consideration of S$1,600,000,000 to be satisfied via the issuance of 21,333,333,334 Shares ("**Consideration Shares**") to the Vendor at an issue price of S$0.075 per Consideration Share; and

(ii) the acquisition of 597,319,140 TMCLS Warrants ("**Sale Warrants**"), of which (aa) 410,652,474 TMCLS Warrants are held by SAS(M) and which were previously carved out from the Target Group in terms of the consideration (as mentioned in Section 1.1 above), and (bb) 186,666,666 TMCLS Warrants are held by an entity in which the Vendor has an interest.

Pursuant to the Acquisition Agreement, the Vendor has agreed to sell these Sale Warrants to the Group for a consideration to be determined based on the volume weighted average price ("**VWAP**") of the TMCLS Warrants traded on Bursa Securities for the one-month period immediately preceding the date ending on the fourth market day prior to the date of the EGM, such consideration to be satisfied in cash,

(the "**Proposed Acquisition**").

With reference to the Term Sheet, the Company had clarified that it will not be pursuing the acquisition of the Potential Target Expansion as part of the Proposed Acquisition as disclosed in the Initial Announcement.

1.3 The Target Company is 100% beneficially owned by Peter Lim, who is also the controlling Shareholder of the Company as Peter Lim indirectly owns approximately 45.36% of the Company's total issued Shares through his deemed interests in Garville Pte Ltd ("**Garville**"),

Garville (Hong Kong) Limited ("**Garville HK**"), Jovina Investments Limited ("**Jovina Investments**") and Bellton International Limited ("**Bellton**").

Pursuant to Chapter 9 of the Listing Manual, Peter Lim and his associates (which includes Garville, Garville HK, Jovina Investments and Bellton) are deemed as interested persons ("**Interested Persons**") in the Proposed Acquisition. The Proposed Acquisition is therefore considered as an interested person transaction ("**Interested Person Transaction**" or "**IPT**").

Pursuant to Rule 906 of the Listing Manual, shareholders' approval must be obtained for any IPT of a value equal to or greater than 5% of the group's latest audited NTA or, when aggregated with other IPTs entered into with the same interested person during the same financial year, the value of the transaction is equal to or more than 5% of the group's latest audited NTA ("**5% Threshold**"). In addition, pursuant to Rule 921(4)(a) of the Listing Manual, the company is to seek the opinion of an independent financial adviser ("**IFA**") on whether the IPT is on normal commercial terms and is not prejudicial to the interests of the company and its minority shareholders ("**Minority Shareholders**").

Based on the Group's latest audited financial statements for the financial year ended 31 December 2016 ("**FY31/12/2016**"), the Group's audited NTA (excluding intangible assets and non-controlling interests) was S$321.9 million. The aggregate purchase consideration for the Proposed Acquisition with the Vendor is expected to exceed the 5% Threshold, as the consideration for the acquisition of the Target Company of S$1.6 billion (before taking into consideration the Sale Warrants) already represents 4.97 times of the Group's latest audited NTA. Accordingly, the Proposed Acquisition is subject to the approval of the Minority Shareholders at the extraordinary general meeting ("**EGM**") to be convened and the opinion of an IFA.

In addition, pursuant to Rule 1015 of the Listing Manual, the Proposed Acquisition is considered as a "very substantial acquisition" as the aggregate purchase consideration represents 100% or more of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual.

Pursuant to Chapter 9 of the Listing Manual, the Vendor and its associates, being Interested Persons, are required to abstain from voting on the ordinary resolution pertaining to the Proposed Acquisition at the EGM.

1.4 Peter Lim and his associates presently own, in aggregate, 45.36% shareholding interest in the Company. Pursuant to the Proposed Acquisition, 21,333,333,334 Consideration Shares will be allotted and issued to Peter Lim, which will result in him and his associates holding an aggregate of 23,482,771,427 Shares, representing approximately 90.07% of the enlarged number of issued Shares immediately after the Proposed Acquisition and thereby triggering an obligation to make a mandatory general offer for all the Shares in the Company which he does not already own or control ("**Mandatory Offer**") pursuant to Rule 14 of the Singapore Code on Take-over and Mergers ("**Code**"), unless such an obligation is waived by the Securities Industry Council ("**SIC**").

The SIC had, on 18 December 2017, granted the whitewash waiver to Peter Lim and his concert parties ("**Whitewash Waiver**"), subject to the satisfaction of certain conditions, including, *inter alia*, the approval by a majority of the independent Shareholders ("**Independent Shareholders**") present and voting at the EGM, by way of a poll, on the proposed whitewash resolution ("**Proposed Whitewash Resolution**") to waive their rights to receive a Mandatory Offer from Peter Lim and his concert parties, and the appointment of an IFA to advise the Independent Shareholders on the Proposed Whitewash Resolution.

In addition, the SIC had ruled that DYAM Tunku Ismail Ibni Sultan Ibrahim ("**TMJ**"), a substantial Shareholder of the Company, is deemed as a party acting in concert with Peter Lim and accordingly, TMJ and his associates are not permitted to vote on the Proposed Whitewash Resolution.

TMJ is a substantial Shareholder of the Company, having a deemed interest of approximately 11.74% in the Company as at the Latest Practicable Date. TMJ and his associates, together own 11.80% shareholding interests in the Company. TMJ is also a substantial shareholder and warrantholder of TMCLS, holding approximately 7.66% shareholding interest in TMCLS and 80.0 million TMCLS Warrants, representing 9.23% of the outstanding number of TMCLS Warrants as at the Latest Practicable Date. TMJ has a 30% shareholding interest in Best Blend and the remaining 70% shareholding interest in Best Blend is owned by Incanto, which is, in-turn, wholly-owned by Peter Lim as disclosed in Section 4.2(i) of this Letter.

For the avoidance of doubt, we understand from the Company that TMJ is not deemed as an associate of Peter Lim under the Listing Manual and hence not deemed as an Interested Person for the purpose of the Proposed Acquisition as an Interested Person Transaction.

1.5 Ms Chan Lay Hoon, the Deputy Chairman and Non-Executive Non-Independent Director of the Company, is the director of SAS(M) as well as an employee of companies controlled by Peter Lim. Mr Tan Wee Tuck, the Executive Director, Chief Executive Officer and Chief Financial Officer of the Company, is the nephew of Peter Lim. They will accordingly recuse themselves from all deliberations of the Board and abstain from making any recommendation or voting on all board resolutions relating to the Proposed Acquisition as Directors of the Company.

Dr Lam Lee G and Mr Gary Ho Kuat Foong, both Independent Directors of the Company, are also independent directors of Thomson Medical and TMCLS respectively. For good corporate governance, Dr Lam Lee G and Mr Gary Ho Kuat Foong will also recuse themselves from all deliberations of the Board and the audit committee of the Company (as the case may be) and abstain from making any recommendation or voting on all board resolutions and audit committee resolutions (as the case may be) relating to the Proposed Acquisition.

Following from the above, the remaining three Directors, namely, Mr Ng Ser Miang, Mr Lai Huen Poh and Mr Ong Pang Liang, are deemed to be independent in respect of the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution ("**Recommending Directors**").

1.6 Provenance Capital Pte. Ltd. ("**Provenance Capital**") has been appointed as the IFA as required under Rule 921(4) of the Listing Manual and also to advise the Recommending Directors on the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution. This Letter is therefore addressed to the Recommending Directors and sets out, *inter alia*, our evaluation and opinion on the Interested Person Transaction and the Proposed Whitewash Resolution as well as our recommendations thereon. This Letter forms part of the Circular to Shareholders which provides, *inter alia*, details of the Proposed Acquisition as an Interested Person Transaction, the Proposed Whitewash Resolution and the recommendations of the Recommending Directors.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA as required under Rule 921(4) of the Listing Manual and also to advise the Recommending Directors in respect of the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution. We are not and were not involved or responsible, in any aspect, in the negotiations in relation to the Proposed Acquisition and the Proposed Whitewash Resolution, nor were we involved in the deliberations leading up to the decision on the part of the Directors to propose the Proposed Acquisition and the Proposed Whitewash Resolution or to obtain the approval of the Minority Shareholders or Independent Shareholders for the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution (as the case may be), and we do not, by this Letter, warrant the merits of the Proposed Acquisition and the Proposed Whitewash Resolution, other than to express an opinion on whether the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders and whether the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable and the Proposed Whitewash Resolution is not prejudicial to the interests of the Independent Shareholders.

It is not within our terms of reference to evaluate or comment on the legal, strategic, commercial and financial merits and/or risks of the Proposed Acquisition and the Proposed Whitewash Resolution or to compare their relative merits *vis-à-vis* alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and/or the management of the Company ("**Management**") although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary and appropriate by us) in arriving at our opinion as set out in this Letter.

In the course of our evaluation, we have held discussions with the Directors and Management and their professional advisers (where applicable) and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and the professional advisers (where applicable) of the Company, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Nevertheless, we have made reasonable enquiries and judgment as were deemed necessary and have found no reason to doubt the accuracy or reliability of the information and representations.

The Directors (including those who may have delegated detailed supervision of the Circular) have confirmed that, having made all reasonable enquiries and to the best of their respective knowledge and belief, information and representations as provided by the Directors and Management are accurate. They have also confirmed to us that, upon making all reasonable enquiries and to their best knowledge and belief, all material information available to them in connection with the Proposed Acquisition and the Proposed Whitewash Resolution, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us in relation to the Proposed Acquisition and the Proposed Whitewash Resolution, the Company and/or the Group stated in the Circular to be inaccurate, incomplete or misleading in any material respect. The Directors have jointly and severally accepted full responsibility for such information described herein.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors in the Circular have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and judgment on the reasonable use of such information, as were deemed necessary, and have found no reason to doubt the accuracy or reliability of the information and representations.

Save as disclosed, we would like to highlight that all information relating to the Proposed Acquisition, the Proposed Whitewash Resolution, the Company, the Group and/or the Target Group that we have relied upon in arriving at our recommendation or advice has been obtained from publicly available information and/or from the Directors and the Management. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company, the Group and/or the Target Group at any time or as at 15 February 2018, being the Latest Practicable Date referred to in the Circular.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company, the Group and/or the Target Group, or to express, and we do not express, any view on the future growth prospects, value and earnings potential of the Company and/or the Group after the Proposed Acquisition and the Proposed Whitewash Resolution. Such review or comment, if any, remains the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent required by the Code, the Listing Manual and/or deemed necessary or appropriate by us) in arriving at our opinion as set out in this Letter. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company and/or the Group, and we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company and/or the Group. In addition, we are not expressing any view as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Proposed Acquisition and the Proposed Whitewash Resolution.

We have not made an independent evaluation or appraisal of the assets and liabilities and/or the business of the Target Group, the Company and/or the Group. However, in connection with the Proposed Acquisition, the Company had commissioned BDO Advisory Pte Ltd ("**BDO**" or "**Valuer**"), as the independent valuer, to carry out an independent valuation of the 100% equity interest of the Target Group as at 31 August 2017. We have been furnished with the valuation report on the Target Group ("**Valuation Report on the Target Group**") and the summary valuation report on the Target Group ("**Summary Valuation Report on the Target Group**"), both dated 18 December 2017. The Valuation Report on the Target Group is made available as a document for inspection while the Summary Valuation Report on the Target Group is attached as Appendix B to the Circular.

We are not experts in the evaluation or appraisal of the businesses concerned and have placed sole reliance on the independent valuation by the Valuer for such appraisal and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation as contained in the Valuation Report on the Target Group or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements.

Our view as set out in this Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as at the Latest Practicable Date and the information and representations provided to us as of the Latest Practicable Date. In arriving at our opinion, with the consent of the Directors and/or the Company, we have taken into account certain factors and have made certain assumptions as set out in this Letter. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcements relevant to the Proposed Acquisition and the Proposed Whitewash Resolution which may be released by the Company after the Latest Practicable Date.

In rendering our advice and giving our recommendations, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Independent/Minority Shareholder or any specific group of Independent/Minority Shareholders. As each Independent/Minority Shareholder may have different investment objectives and profiles, we recommend that any individual Independent/Minority Shareholder or group of Independent/Minority Shareholders who may require specific advice in relation to his or their investment portfolio(s) or objective(s) consult his or their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this Letter). We have had no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Circular (other than this Letter). Accordingly, we take no responsibility for and express no views, whether expressed or implied, on the contents of the Circular (other than this Letter).

Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purposes, other than at the forthcoming EGM and for the purpose of the

Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

We have prepared this Letter as required under Rule 921(4) of the Listing Manual and also for the use of the Recommending Directors in their consideration of the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution, and their recommendation to the Minority Shareholders and Independent Shareholders (as the case may be) arising thereof. The recommendations made to the Minority Shareholders and Independent Shareholders in relation to the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution (as the case may be) remain the responsibility of the Recommending Directors.

Our opinion in relation to the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution should be considered in the context of the entirety of this Letter and the Circular.

3. BACKGROUND INFORMATION ON THE COMPANY AND THE GROUP

3.1 Overview

The Company was incorporated in Singapore on 31 December 1999 under the name of asp Holdings Pte Ltd. It changed its name to aspnetcentre Ltd on 20 June 2002 and was listed on the Mainboard of the SGX-ST on 10 July 2002. aspnetcentre Ltd was in the business of, *inter alia*, IT systems integrator and supply chain management solution services. On 16 October 2003, the Company changed its name to Rowsley Ltd. after most of its then existing businesses were discontinued to chart a new business direction. Peter Lim was then a controlling Shareholder, holding more than 30% shareholding interest in the Company.

Over the years, the Group had made various acquisitions and investments. Presently, the Group is a diversified real estate company with businesses in design and engineering, real estate development and hospitality.

The Group's core businesses include:

(a) Design and engineering – comprising the RSP Architects Planners & Engineers group ("**RSP**"), one of the most established architectural practices in the region; the Squire Mech group ("**Squire Mech**"), a leading mechanical and electrical engineering consultancy group; and AC Consortium Pte Ltd ("**AC Consortium**"), a leading industrial building design company;

(b) Hospitality – comprising Hotel Football, Café Football, Stock Exchange Hotel and GG Collections which provide hospitality management services in the United Kingdom ("**UK**"); and the Ariva Hospitality group ("**Ariva Hospitality**"), a hotel management and consultancy group in Asia; and

(c) Real estate development – comprising Vantage Bay Healthcare City development in Iskandar, Johor, Malaysia and St. Michael's in Manchester, UK. Vantage Bay Healthcare City is a proposed development project comprising a specialist hospital, a community hospital, long-term care facilities, health sciences education and training facilities, an urban wellness resort, wellness retail services and a hotel to cater to medical tourists. St. Michael's is a proposed mixed development comprising a 5-star hotel in the centre of Manchester, UK.

The Proposed Acquisition will enable the Group to acquire two established healthcare assets in Singapore and Malaysia and expand into the provision of healthcare services. With the Proposed Acquisition, the Company proposes to seek Shareholders' approval to change its name from "Rowsley Ltd." to "**Thomson Medical Group Limited**" (or such other name as may be approved by the Accounting and Corporate Regulatory Authority of Singapore).

As at 15 February 2018, being the Latest Practicable Date, the Company has an issued and paid-up share capital comprising 4,738,417,411 Shares. The Company does not have any treasury shares or outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares or securities which carry voting rights in the Company. Based on the last transacted Share price of S$0.114 on the Latest Practicable Date, the market capitalisation of the Company was approximately S$540.2 million.

Peter Lim, the Vendor, continues to be the controlling Shareholder and as at the Latest Practicable Date, indirectly owns approximately 45.36% of the Company's total number of issued Shares through his deemed interests in Garville, Garville HK, Jovina Investments and Bellton.

Immediately following the completion of the Proposed Acquisition, Peter Lim and his associates will own slightly more than 90% of the enlarged number of issued Shares. Accordingly, it is the intention of Peter Lim and his associates to carry out a compliance placement exercise ("**Compliance Placement**") in order for the Company to meet the public float requirement under Rule 723 of the Listing Manual as set out in Section 3.4 of this Letter.

As at the Latest Practicable Date, the Board comprises:

Mr Ng Ser Miang – Chairman and Non-Executive Independent Director Ms Chan Lay Hoon – Deputy Chairman and Non-Executive Non-Independent Director Mr Tan Wee Tuck – Executive Director, Chief Executive Officer and Chief Financial Officer Mr Lai Huen Poh – Executive Director and Senior Managing Director, RSP Dr Lam Lee G – Independent Director Mr Gary Ho Kuat Fong - Independent Director Mr Ong Pang Liang - Independent Director

The Company is seeking Shareholders' approval for the appointment of the following new Directors to its Board after completion of the Proposed Acquisition ("**Completion**"), namely:

- Mr Quek Hong Sheng Roy as an Executive Director and Chief Executive Officer, Healthcare; and
- Mr Heng Kim Chuan Freddie as a Non-Executive Non-Independent Director.

Mr Quek Hong Sheng Roy is the executive director and chairman of Thomson Medical and executive director and group chief executive officer of TMCLS.

Mr Heng Kim Chuan Freddie is the sole director of the Target Company and a non-executive director of Thomson Medical and TMCLS.

Dr Lam Lee G will step down as the Independent Director of the Company upon Completion.

Mr Tan Wee Tuck who is also currently the Chief Financial Officer will relinguish this role upon completion of the Proposed Acquisition.

The reconstituted Board will comprise the following Directors:

Mr Ng Ser Miang – Chairman and Non-Executive Independent Director Ms Chan Lay Hoon – Deputy Chairman and Non-Executive Non-Independent Director Mr Tan Wee Tuck – Executive Director and Chief Executive Officer, Real Estate Mr Quek Hong Sheng Roy – Executive Director and Chief Executive Officer, Healthcare Mr Lai Huen Poh – Executive Director and Senior Managing Director, RSP Mr Heng Kim Chuan Freddie – Non-Executive Non-Independent Director Mr Gary Ho Kuat Fong - Independent Director Mr Ong Pang Liang - Independent Director

3.2 Financial information of the Group

3.2.1 Financial performance of the Group

We set out below a summary of the financial results of the Group for the last three financial years ended 31 December 2014 ("**FY31/12/2014**"), 31 December 2015 ("**FY31/12/2015**") and FY31/12/2016, and the latest interim financial results of the Group for the 9 months ended 30 September 2017 ("**9M2017**") and the corresponding period for 2016 ("**9M2016**").

	Audited			Unaudited	
S$'000	**FY31/12/2014**	**FY31/12/2015**	**FY31/12/2016**	**9M2016**	**9M2017**
Revenue	87,232	83,039	103,135	67,409	71,246
EBITDA[(1)]	66,909	(22,878)	(56,654)	14,148	(680)
Profit/(Loss) for the year/period	49,444	(36,420)	(69,823)	4,217	(10,636)
Profit/(Loss) for the year/period attributable to:					
Equity holders of the Company	49,444	(36,298)	(63,298)	4,866	(10,156)
Non-controlling interests	-	(122)	(6,525)	(649)	(480)

Source: *The Company's annual reports for FY31/12/2015 and FY31/12/2016, and the unaudited results of the Group for 9M2017*

Note:

(1) Refers to earnings/(losses) before interest, tax, depreciation and amortisation.

FY31/12/2015 vs FY31/12/2014

Revenue decreased by S$4.2 million or 4.8% from S$87.2 million in FY31/12/2014 to S$83.0 million in FY31/12/2015 due mainly to the decline in revenue from RSP.

EBITDA was a loss of S$22.9 million in FY31/12/2015 compared to a profit of S$66.9 million due mainly to the impairment loss on investment property and development property (S$24.4 million) and impairment loss on goodwill (S$10.1 million) in FY31/12/2015. The EBITDA in FY31/12/2014 was uplifted by the fair value gain in purchase consideration payable of S$54.0 million.

After deducting interest income, finance costs, depreciation and amortisation and tax expense, the Group reported a loss of S$36.3 million for FY31/12/2015 compared to a profit after tax of S$49.4 million for FY31/12/2014.

FY31/12/2016 vs FY31/12/2015

Revenue increased by S$20.1 million or 24.2% from S$83.0 million in FY31/12/2015 to S$103.1 million in FY31/12/2016, due mainly to contributions from Squire Mech and a full year contribution from the UK hospitality business.

EBITDA was a loss of S$56.7 million in FY31/12/2016 compared to a loss of S$22.9 million in FY31/12/2015 due mainly to the impairment loss on goodwill on subsidiaries of RSP and GG Collections (S$42.4 million) and impairment loss on property, plant and equipment of Hotel Football (S$30.4 million).

After deducting interest income, finance costs, depreciation and amortisation and tax expense (or adding tax credit), the Group reported a loss of S$69.8 million for FY31/12/2016 compared to a loss of S$36.4 million for FY31/12/2015.

9M2017 vs 9M2016

Revenue increased by S$3.8 million or 5.7% from S$67.4 million in 9M2016 to S$71.2 million in 9M2017, due mainly to new revenue contribution from Squire Mech but offset by a fall in revenue contribution from RSP.

EBITDA was a loss of S$680,000 in 9M2017 compared to a profit of S$14.1 million in 9M2016 due mainly to the absence in 9M2017 of a gain on re-measurement of previously held equity interest in an associate which became a subsidiary and a fair value gain arising from the re-measurement of purchase consideration payable.

After deducting interest income, finance costs, depreciation and amortisation and tax expense/ (or adding tax credit), the Group reported a loss of S$10.6 million for 9M2017 compared to a profit after tax of S$4.2 million for 9M2016.

Adjusted profit/(loss) for the year/period

We note that the Group's financial performance in each year/period was significantly affected by fair value changes, impairment losses and re-measurement gain over the period under review. As an illustration, excluding these fair value changes, impairment losses and re-measurement gain, the adjusted profit/(loss) of the Group would be as follows:

	Audited			Unaudited	
S$'000	**FY31/12/2014**	**FY31/12/2015**	**FY31/12/2016**	**9M2016**	**9M2017**
Profit/(Loss) for the year/period	49,444	(36,420)	(69,823)	4,217	(10,636)
Excluding fair value changes, impairment losses and gain on re-measurement of previously held equity interest in an associate which became a subsidiary	46,088	(40,257)	(60,655)	15,414	(830)
Adjusted profit/(loss) for the year/period	3,356	3,837	(9,168)	(11,197)	(9,806)

As shown above, the Group's financial performance has been subjected to wide fluctuations due in part by the significant fair value changes, impairment losses and re-measurement gain in each reported year/period. On an adjusted basis after excluding the fair value changes, impairment losses and re-measurement gain, the Group reported profit of approximately S$4 million in FY31/12/2014, FY31/12/2015 and losses of approximately S$9-10 million for FY31/12/2016 and 9M2017.

As the Group reported losses (on the EBITDA, profit for the year/period and on an adjusted basis) for FY31/12/2016 and for the last trailing 12-month ("**T12M**") period, it will not be meaningful to assess the issue price of S$0.075 per Consideration Share based on the earnings approach.

3.2.2 Financial position of the Group

Set out below is a summary of the financial position of the Group as at 30 September 2017:

S$'000	Unaudited as at 30 September 2017
Non-current assets	334,752
Current assets	241,095
Total assets	**575,847**
Current liabilities	128,169
Non-current liabilities	45,112
Total liabilities	**173,281**
Equity attributable to owners of the Company	400,775
Non-controlling interests	1,791
Total equity	**402,566**
Net asset value ("**NAV**") (S$)	400,775,000
Net tangible assets[(1)] ("**NTA**") (S$)	304,354,000
Number of issued Shares	4,738,417,411
NAV per Share (S$)	0.0846
NTA per Share (S$)	0.0642

Source: *The Company's unaudited results announcement for 9M2017*

Note:

(1) Excludes non-controlling interest, goodwill and intangible assets

<u>Non-current assets</u>

Non-current assets of the Group comprise mainly investment property (S$148.4 million, representing 44.3% of non-current assets), goodwill and intangible assets (S$96.4 million, representing 28.8% of non-current assets) and property, plant and equipment ("**PPE**") (S$62.0 million, representing 18.5% of non-current assets).

The investment property relates to a piece of freehold land, measuring 9.23 hectares and located in Malaysia's Iskandar Development Region, Johor Bahru, Malaysia. The land is intended for the proposed development of Vantage Bay Healthcare City. The investment property portion accounts for 51.31% of the total land area. The land was previously impaired based on its fair value as at 31 December 2015.

PPE comprises mainly the hotel buildings (mainly Hotel Football) which had been impaired as at 31 December 2016 based on management assessment of the recoverable amount of the hotel using the value-in-use-approach based on the discounted cash flow of the hotel.

Goodwill and intangible assets relate mainly to goodwill arising from the Group's various acquisitions which had also been subjected to impairment as at 31 December 2016.

<u>Current assets</u>

Current assets of the Group comprise mainly development property (S$140.2 million, representing 58.1% of current assets), work-in-progress (S$38.3 million, representing 15.9% of current assets), trade and other receivables (S$35.7 million, representing 14.8% of current assets) and cash and cash equivalents (S$26.7 million, representing 11.1% of current assets).

The development property relates to the residential component of the proposed development of Vantage Bay Healthcare City, which was also previously impaired to its net realisable value as at 31 December 2015.

Work-in-progress refers to the gross unbilled amount expected to be collected from customers for contract work performed by the Group's design and engineering division. The Group uses percentage of completion method in accounting for the contract revenue for projects undertaken by the Group's design and engineering division.

Liabilities

Total liabilities of S$173.3 million comprise mainly borrowings of S$119.7 million (representing 69.1% of total liabilities), purchase consideration payable of S$23.0 million (representing 13.3% of total liabilities) and trade and other payables of S$21.1 million (representing 12.2% of total liabilities).

Borrowings comprise mainly unsecured notes comprising S$100,000,000 Medium Term Notes issued by the Company at a fixed rate of 6.50% per annum and redeemable at their principal amounts on its maturity date in March 2018.

The purchase consideration payable as at 30 September 2017 relates to the contingent consideration liability arising from the earn-out consideration payable to vendors pursuant to the Group's acquisitions of Squire Mech, Ariva and AC Consortium in August 2016, February 2017 and June 2017 respectively. These earn-out consideration may be payable in cash and/or issuance of new Shares to the respective vendors in accordance with the terms of the sale and purchase agreements.

Equity

Total equity comprises equity attributable to owners of the Company amounting to S$400.8 million and non-controlling interests of S$1.8 million as at 30 September 2017. The NAV of the Group was S$400.8 million as at 30 September 2017.

The Group has intangible assets of S$3.2 million and goodwill of S$93.3 million. Accordingly, after excluding these intangible assets, the NTA value of the Group was S$304.4 million as at 30 September 2017.

Based on the issued and paid-up share capital of the Company comprising 4,738,417,411 Shares as at 30 September 2017, the Group's NAV per Share was S$0.0846 and NTA per Share was S$0.0642. Since 30 September 2017 to the Latest Practicable Date, there is no change in the number of issued Shares.

As shown above, the assets of the Group had generally been assessed and impaired based on their respective fair values which were last assessed on 31 December 2016. For 9M2017, the Group did not record any impairment losses.

Based on the issue price of S$0.075 per Consideration Share, the issue price is at a price-to-NTA ("**P/NTA**") of 1.168 times or at a premium of 16.8% above the NTA per Share as at 30 September 2017.

3.3 Moratorium

The Vendor, Peter Lim, has undertaken under the Acquisition Agreement to comply with any applicable moratorium requirements imposed by the SGX-ST (namely, not to sell, assign transfer or otherwise dispose of any of the Consideration Shares allotted and issued to him on Completion, for the applicable period after Completion) unless such applicable moratorium requirements have been reduced or lifted by the SGX-ST. In this connection, the SGX-ST has confirmed that the Company and the Vendor must comply with the moratorium requirements under the Listing Manual for the Vendor's existing Shares, his Bonus Warrants and Piggyback Warrants, his Consideration Shares and the new Shares arising from the exercise of the Bonus Warrants and Piggyback Warrants (if any), although a compliance placement of the Vendor's Shares can be conducted prior to a resumption of trading of Shares post-Completion.

As disclosed in Section 2.13 of the Circular, in addition to the above, the Vendor also gave a 6-month moratorium (from the date of resumption of trading of Shares after completion of the Compliance Placement) on his existing Shares, Bonus Warrants and Piggyback Warrants, and any new Shares arising from the exercise of such warrants (which are or will be held through Garville, Garville HK, Jovina Investments and Bellton). We note that in the event the Piggyback

Warrants and new Shares are issued after the 6-month moratorium period, these securities will not be subjected to the above moratorium.

It is the intention of Peter Lim and his associates to carry out a Compliance Placement which will involve the sale of their existing Shares and/or Consideration Shares ("**Sale of Vendor Shares**"), the extent and terms of which have not been determined as at the Latest Practicable Date. Accordingly, save for the purpose of the Compliance Placement, Peter Lim and his associates will be subject to the moratorium period as required by the SGX-ST in respect of their existing Shares, Consideration Shares, Bonus Warrants, Piggyback Warrants and any new Shares arising from the exercise of such warrants.

3.4 Compliance Placement following the completion of the Proposed Acquisition

Peter Lim and his associates own, in aggregate, 45.36% shareholding interest in the Company. Immediately following the completion of the Proposed Acquisition, as a result of 21,333,333,334 Consideration Shares being allotted and issued to Peter Lim and/or his nominees, Peter Lim and his associates will own, in aggregate, 90.07% of the enlarged number of issued Shares.

Accordingly, the public float will be diluted to less than the minimum 10% free float requirement under Rule 723 of the Listing Manual and trading in the Shares on the SGX-ST may be suspended until the minimum public float and the shareholding spread requirements are met.

In this regard, as set out in Section 3.3 above, in the event that a Compliance Placement (which will involve the Sale of Vendor Shares) is carried out, Shareholders should take note of any announcements in relation to the Compliance Placement which may be released after the Latest Practicable Date. Such Sale of Vendor Shares will dilute the shareholding interest of Peter Lim and his associates in the Company.

4. TERMS OF THE PROPOSED ACQUISITION

Details of the terms of the Proposed Acquisition are set out in Section 2 of the Circular. A summary of the key terms of the Proposed Acquisition is set out below for your reference.

4.1 Proposed Acquisition

Pursuant to the Proposed Acquisition, it is the intention of the Company to buy and the Vendor to sell:

(a) 100% of the Target Company which will include 100% of Thomson Medical Pte Ltd and 70.35% of TMCLS for a total consideration of S$1.6 billion to be satisfied via the issuance of approximately 21.3 billion Consideration Shares at the issue price of S$0.075 per Consideration Share; and

(b) 597.3 million of the TMCLS Warrants for a cash consideration to be determined based on the VWAP of the TMCLS Warrants traded on Bursa Securities for the one-month period immediately preceding on the date ending on the fourth market day prior to the date of the EGM ("**1-month VWAP**"). As an illustration, based on the 1-month VWAP of the TMCLS Warrants traded on Bursa Securities of MYR0.1659 for the one-month period up to 14 February 2018, being the trading day when the TMCLS Warrants were last transacted prior to the Latest Practicable Date, the cash consideration for the 597.3 million TMCLS Warrants is approximately MYR99.1 million (S$33.4 million).

The Company intends to announce the final purchase price for the TMCLS Warrants at least 72 hours prior to the date of the EGM so that Shareholders will have sufficient notice of the final purchase consideration for the TMCLS Warrants before the last date and time for the submission of proxy forms for the EGM.

4.2 Restructuring Exercise

As at the Latest Practicable Date, the interests of 70.35% of TMCLS and the 597.3 million TMCLS Warrants are not fully in place within the Target Group. In particular, the Target Group currently only owns 901.6 million TMCLS Shares representing 51.92% of of the outstanding number of TMCLS Shares and 410.7 million TMCLS Warrants representing 47.40% of the outstanding number of TMCLS Warrants. It is therefore the intention for the Target Group to have the additional 18.43% interest of TMCLS and 186.7 million TMCLS Warrants transferred by the Vendor to the Target Group before completion of the Proposed Acquisition. In addition, although the 410.7 million TMCLS Warrants are already held by the Target Group, pursuant to the Acquisition Agreement, the Company will pay for these Sale Warrants (comprising 597.3 million TMCLS Warrants) in cash based on the pre-determined 1-month VWAP price of the TMCLS Warrants.

Accordingly, the Company had agreed for the Vendor to carry out a restructuring exercise of the Target Group ("**Restructuring Exercise**") prior to the completion of the Proposed Acquisition.

Details of the Restructuring Exercise are set out in Section 2.2 of the Circular.

In summary, the Restructuring Exercise will entail, amongst others, the following:

(i) the Target Group, through SAS(M), will acquire 320,000,000 ordinary shares in TMCLS ("**TMCLS Shares**") currently held by Incanto Investments Ltd ("**Incanto**") and Best Blend Sdn Bhd ("**Best Blend**") (representing in aggregate approximately 18.43% interest in TMCLS) based on the then prevailing market price of the TMCLS Shares on Bursa Securities in accordance with the rules of Bursa Securities.

Incanto is a company incorporated in the British Virgin Islands and is wholly-owned by Peter Lim. Incanto presently holds 13.25% shareholding interest in TMCLS. Best Blend is a private limited company incorporated in Malaysia and is owned 70% by Incanto and 30% by TMJ, a substantial Shareholder of the Company. Best Blend presently holds 5.18% shareholding interest in TMCLS. In total, Incanto and Best Blend collectively own 18.43% shareholding interest in TMCLS;

(ii) the Target Group, through SAS(M), will acquire 186,666,666 TMCLS Warrants from Incanto based on the then prevailing market price of the TMCLS Warrants on Bursa Securities in accordance with the rules of Bursa Securities; and

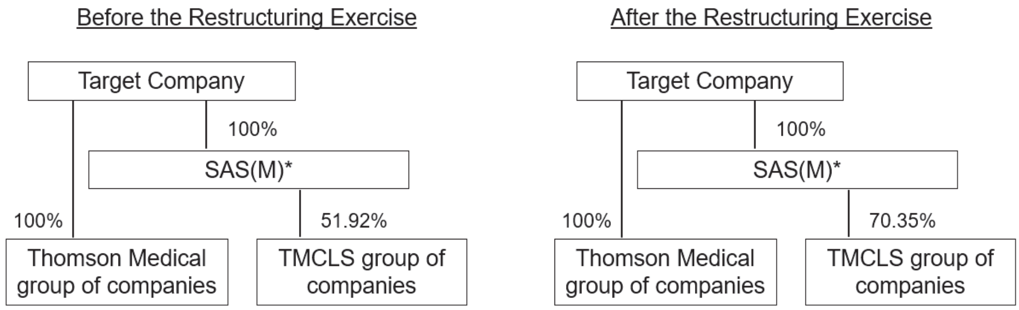
(iii) the Target Company has existing outstanding shareholder loans of S$426 million owing to Peter Lim as at 31 August 2017. For the purpose of the Proposed Acquisition, the Target Company has in place, a bank loan of S$350 million from a financial institution to repay part of the outstanding shareholder loans owing to Peter Lim.

SAS(M) has an existing bank loan of S$100 million and existing shareholder loans of S$21 million owing to Peter Lim as at 31 August 2017.

For the purpose of the Proposed Acquisition, it is the intention for all outstanding shareholder loans owing to Peter Lim from the Target Group to be assigned to the Company for a nominal sum of S$1. Hence, after the Proposed Acquisition, these loans will become intercompany amounts due from the Target Group to the Company. The Target Group will have total bank loans of S$450 million after the Proposed Acquisition.

Pursuant to the conditions precedent for the Proposed Acquisition in respect of the shares of the Target Company and the Sale Warrants, the Company had clarified that Peter Lim will not be receiving any additional payment arising from the Restructuring Exercise and there is no repayment of the shareholder loans save for the proposed bank loans of S$350 million which will be utilised to partially repay the shareholder loans owing to Peter Lim, as all remaining outstanding shareholder loans will be assigned to the Company for a nominal sum of S$1.

The group structure of the Target Group before and after the Restructuring Exercise are shown below:



* SAS(M) owns 410,652,474 TMCLS Warrants before the Restructuring Exercise and will own 597,319,140 TMCLS Warrants after the Restructuring Exercise.

4.3 Conditions Precedent

Completion of the Proposed Acquisition is conditional upon the fulfilment of the conditions precedent ("**Conditions Precedent**") as set out in the Acquisition Agreement, including *inter alia* the following:

(i) Independent Shareholders' approval at the EGM for the Proposed Acquisition as an Interested Person Transaction;

(ii) SIC approval on the Whitewash Waiver;

(iii) Independent Shareholders' approval at the EGM for the Proposed Whitewash Resolution;

(iv) SGX-ST's approval for, *inter alia*, the listing and quotation notice of the Consideration Shares on the SGX-ST;

(v) the Securities Commission of Malaysia having ruled that the Proposed Acquisition will not result in the Company or its concert parties having to make a general offer for TMCLS;

(vi) the Target Group having repaid S$350 million of the shareholder loans; and

(vii) completion of the Restructuring Exercise.

If any one of the Conditions Precedent is not fulfilled or waived such that Completion takes place, or if for any reason Completion does not take place, on or before twelve (12) months from the date of the Acquisition Agreement, or such other later date as the Company and the Vendor may mutually agree, the Acquisition Agreement shall cease and determine.

Details on the Conditions Precedent are set out in Section 2.6 of the Circular.

On 18 December 2017, the SIC had granted the Whitewash Waiver to Peter Lim and his concert parties subject to certain conditions, details of which are set out in Section 7 of this Letter and Section 13.3 of the Circular.

On 19 December 2017, the approval was obtained from the Securities Commission of Malaysia that the Proposed Acquisition will not result in the Company or its concert parties having to extend a downstream take-over offer for TMCLS. The background to the waiver ruling from the Securities Commission of Malaysia is set out in Section 13.4 of the Circular.

The SGX-ST in-principle approval for the listing and quotation of the Consideration Shares on the Mainboard of the SGX-ST was obtained on 22 February 2018, subject to conditions as set out in Section 11 of the Circular. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Proposed Acquisition, the Consideration Shares, the Company, its subsidiaries or the Shares.

As at the Latest Practicable Date, conditions (ii), (iv) and (v) have been fulfilled.

4.4 Proposed Bonus Issue

In connection with and conditional upon the completion of the Proposed Acquisition, the Company intends to undertake the Proposed Bonus Issue comprising:

(a) up to 9,476,834,822 bonus warrants ("**Bonus Warrants**") on the basis of two (2) Bonus Warrants for every one (1) existing Share held by Shareholders as at a books closure date to be determined, fractional entitlements to be disregarded. Each Bonus Warrant shall entitle the Bonus Warrant holder to subscribe for one (1) new Share ("**New Share**") at an exercise price of S$0.09 for each New Share ("**Bonus Warrant Exercise Price**"), and which is exercisable during the period commencing from the date of its issue up to the market day immediately preceding the first anniversary of its date of issue; and

(b) up to 9,476,834,822 additional Company warrants ("**Piggyback Warrants**") on the basis of one (1) Piggyback Warrant for every one (1) Bonus Warrant which is exercised, fractional entitlements to be disregarded. Each Piggyback Warrant shall entitle the Piggyback Warrant holder to subscribe for one (1) New Share at an exercise price of S$0.12 for each New Share ("**Piggyback Warrant Exercise Price**"), and which is exercisable from its date of issue up to the market day immediately preceding the fourth anniversary of the date of issue of the Bonus Warrants (and, for the avoidance of doubt, not the fourth anniversary of the date of issue of the Piggyback Warrant).

For the avoidance of doubt, the Vendor and/or his nominees who will receive the Consideration Shares will not be entitled to the Proposed Bonus Issue in respect of such Consideration Shares.

The Proposed Bonus Issue is subject to, *inter alia*, Shareholders' approval but none of the Shareholders need to abstain from voting on it as it is not deemed as an Interested Person Transaction unlike the Proposed Acquisition of the Target Company. Accordingly, as IFA to the Company, we will not need to opine on the Proposed Bonus Issue. In addition, it is to note that while the Proposed Bonus Issue is subject to the completion of the Proposed Acquisition, the Proposed Acquisition is not conditional upon the Proposed Bonus Issue being proceeded with.

It is the intention of the Company to apply for the listing of and quotation for the Bonus Warrants, Piggyback Warrants and the New Shares on the Mainboard of the SGX-ST. On 22 February 2018, the Company also obtained the in-principle approval from the SGX-ST on the above, subject to conditions as set out in Section 11 of the Circular. The SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Bonus Warrants, Piggyback Warrants and the New Shares.

Based on the last transacted Share price of S$0.073 on 14 July 2017, being the trading day when the Shares were last transacted prior to the Initial Announcement Date, the Bonus Warrants Exercise Price of S$0.09 and the Piggyback Warrants Exercise Price of S$0.12 represent a premium of 23.3% and 64.4% above the then market Share price respectively.

Based on the last transacted Share price of S$0.114 on the Latest Practicable Date, the Bonus Warrants Exercise Price of S$0.09 and the Piggyback Warrants Exercise Price of S$0.12 represent a discount of 21.1% to and a slight premium of 5.3% above the current market Share price respectively. This is so as the Shares have, since the Initial Announcement Date, traded significantly above the then prevailing market Share prices.

Further details of the Proposed Bonus Issue are set out in Section 2 of the Circular.

5. INFORMATION ON THE TARGET COMPANY AND THE TARGET GROUP

Details of the Target Company and the Target Group are set out in Section 5 of the Circular.

5.1 Overview

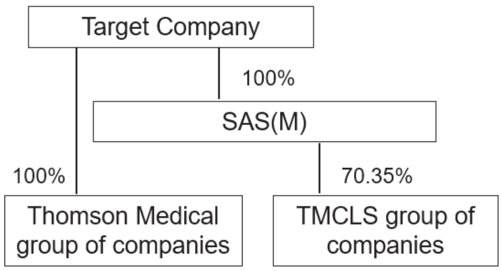
The Target Company is a private limited company incorporated in Singapore on 26 March 2010. The Vendor is the sole shareholder of the entire issued and paid-up share capital of the Target Company comprising S$100,000 divided into 100,000 ordinary shares in the capital of the Target Company. The sole director of the Target Company is Mr Heng Kim Chuan Freddie.

The Target Company's present principal business is investment holding.

The Target Group comprises 2 main operating groups which operate hospitals and provide related healthcare services: (a) Thomson Medical group of companies ("**Thomson Medical Group**") held under Thomson Medical, which is mainly based in Singapore; and (b) TMCLS group of companies ("**TMCLS Group**") held under TMCLS, which is listed on Bursa Securities and mainly based in Malaysia.

The detailed listings of the entities in the Thomson Medical Group and the TMCLS Group are included in Section 6.3 of the Circular which sets out the subsidiaries of the enlarged Group after the Proposed Acquisition ("**Enlarged Group**").

Following the Restructuring Exercise as summarised in Section 4.2 of this Letter, the Target Group structure will be as follows:



As at the Latest Practicable Date, the total number of outstanding TMCLS Warrants is 866.3 million. Following the Restructuring Exercise, SAS(M), as an intermediate holding company holding the TMCLS Shares, will also hold, in total, 597.3 million TMCLS Warrants, representing 68.95% of the outstanding number of TMCLS Warrants. Each TMCLS Warrant will entitle the holder to subscribe for one new TMCLS Share at the exercise price of MYR0.75 per new TMCLS Share during the exercise period of 4 years from its issuance date of 25 June 2015. The TMCLS Warrants will expire on 21 June 2019.

In addition, TMCLS has 24,955,000 outstanding options ("**TMCLS Options**") pursuant to its employee share option scheme ("**ESOS**") in force until 28 May 2020 as at the Latest Practicable Date, of which 15,610,500 TMCLS Options have an exercise price of MYR0.75 per new TMCLS Share and 9,345,000 TMCLS Options have an exercise price of MYR0.94 per new TMCLS Share. Accordingly, some of these TMCLS Options are "in-the-money" based on the last transacted price of the TMCLS Shares of MYR0.815 as at the Latest Practicable Date.

In the event that all the TMCLS Warrants are exercised into new TMCLS Shares, SAS(M)'s shareholding interest in the enlarged TMCLS will be diluted slightly to 69.88% (assuming none of the TMCLS Options are exercised). In the event that all the TMCLS Warrants and TMCLS

Options are exercised, SAS(M)'s shareholding interest in the enlarged TMCLS will be further diluted to 69.22%.

5.2 Financial information of the Target Group

The financial information of the Target Group reflects mainly the financial performance of Thomson Medical Group and the TMCLS Group as these are the core operating businesses of the Target Group. The respective financial year end of the Target Group, Thomson Medical Group and TMCLS Group is 31 August whereas the financial year end of the Company and the Group is 31 December.

SAS(M) is an intermediate holding company wholly-owned by the Target Company and which will eventually hold 70.35% shareholding interest in TMCLS and 68.95% of the outstanding TMCLS Warrants pursuant to the Restructuring Exercise described in Section 4.2 of this Letter.

Accordingly, the profit after tax and the equity attributable to the owner of the Target Company does not reflect the above Target Group's interests in TMCLS. The Target Group's interests in TMCLS for the last three financial years ended 31 August 2015 ("**FY31/8/2015**"), 31 August 2016 ("**FY31/8/2016**") and 31 August 2017 ("**FY31/8/2017**") are as follows:

Target Group's interests	FY31/8/2015	FY31/8/2016	FY31/8/2017
Shareholding interest in TMCLS (%)	52.03	52.03	51.93
Interest in TMCLS Warrants (%)	47.40	47.40	47.40

The percentage shareholding interest in TMCLS had dropped slightly from 52.03% in FY31/8/2016 to 51.93% in FY31/8/2017 as a result of the exercise of some of the TMCLS Warrants and TMCLS Options during FY31/8/2017.

The Target Group's interest in the TMCLS Warrants had not changed materially during the last three financial years.

The financial analysis on the Target Group set out below in Section 5.2.1 and Section 5.2.2 gives an overview of the historical financial performance and financial position of the Target Group on a consolidated basis and the relevant profits and equity which are attributable to the owner of the Target Company based on the Target Company's then respective shareholding interests in TMCLS. These historical financial information of the Target Group may not be representative of the financial performance of the Target Group going forward as both the Thomson Medical Group and the TMCLS Group have expansion and growth plans. These plans are set out in the Valuation Report on the Target Group and summarised in Section 5.3 and Section 5.4 of this Letter. The expansion plans on the Thomson Medical Group and the TMCLS Group are also set out in Section 4.5 of the Circular.

5.2.1 Financial performance of the Target Group

Set out below is a summary of the financial performance of the Target Group for the last three financial years ended 31 August 2017, that is FY31/8/2015, FY31/8/2016 and FY31/8/2017:

	Audited		
S$'000	**FY31/8/2015**	**FY31/8/2016**	**FY31/8/2017**
Revenue	177,249	193,290	199,376
Gross profit	77,466	82,898	88,324
EBITDA	40,897	46,474	53,171
Profit after tax	27,151	28,964	37,349

S$'000	Audited FY31/8/2015	Audited FY31/8/2016	Audited FY31/8/2017
Profit after tax attributable to:			
Owner of the company	24,699	26,671	32,795
Non-controlling interests	2,452	2,293	4,554
	27,151	28,964	37,349

Source: *Audited financial statements of the Target Group for FY31/8/2016 and FY31/8/2017*

On a consolidated group level, revenue of the Target Group had increased from S$177.2 million in FY31/8/2015 to S$199.4 million in FY31/8/2017 at a compounded annual growth rate ("**CAGR**") of 6.1%. Gross profit margin had remained relatively stable at 43.7% for FY31/8/2015, 42.9% for FY31/8/2016 and 44.3% for FY31/8/2017. EBITDA had increased at a higher CAGR of 14.0% from S$40.9 million in FY31/8/2015 to S$53.2 million in FY31/8/2017. Net profit margin had been resilient at 15.3% for FY31/8/2015, 15.0% for FY31/8/2016 and 18.7% for FY31/8/2017.

Based on the Target Group's then existing shareholding interest in TMCLS, profit attributable to the owner of the Company was S$24.7 million, S$26.7 million and S$32.8 million for FY31/8/2015, FY31/8/2016 and FY31/8/2017 respectively.

As mentioned earlier, Thomson Medical Group and the TMCLS Group are the core operating businesses of the Target Group, with the Thomson Medical Group based mainly in Singapore and the TMCLS Group based mainly in Malaysia.

Section 5.4.2 of the Circular shows the breakdown of the revenue and EBITDA contribution for the last three financial years by geographical locations, namely Singapore and Malaysia. These are also reflective of the respective contributions by the Thomson Medical Group and the TMCLS Group. It can be ascertained from the tables shown in Section 5.4.2 of the Circular that the Thomson Medical Group is the larger revenue and EBITDA contributor to the Target Group as compared to the TMCLS Group. Singapore contributed more than 75% of total revenue and more than 80% of total EBITDA of the Target Group for the last three financial years.

5.2.2 Financial position of the Target Group

The Target Group is also in a healthy financial position. The audited financial position of the Target Group as at 31 August 2017 is as follows:

S$'000	Audited as at 31 August 2017
Non-current assets	
Property and equipment	334,308
Intangible assets	484,610
	818,918
Current assets	
Inventories	4,313
Trade and other receivables	19,182
Prepaid operating expenses	894
Cash and short-term deposits	114,968
	139,357
Total assets	**958,275**
Current liabilities	
Trade and other payables	22,447
Amounts due to a shareholder	447,141
Other liabilities	16,830
Interest-bearing loans and borrowings	29
Income tax payable	6,691
	493,138

S$'000	**Audited as at 31 August 2017**
Non-current liabilities	
Interest-bearing loans and borrowings	99,864
Deferred tax liabilities	7,447
Provision	138
	107,449
Total liabilities	**600,587**
Net assets	**357,688**
Equity attributable to the owner of the company	248,297
Non-controlling interests	109,391
Total equity	**357,688**

Source: *Audited financial statements of the Target Group for FY31/8/2017*

Assets

Total assets of the Target Group of S$958.3 million comprise mainly property and equipment of S$334.3 million (34.9% of total assets), intangible assets of S$484.6 million (50.6% of total assets) and cash and short-term deposits of S$115.0 million (12.0% of total assets).

Property and equipment pertains mainly to the freehold land and building, and leasehold land and building, which relate mainly to the hospitals held by the Thomson Medical Group and the TMCLS Group. The freehold land and building are recorded at their fair values based on the independent valuations of these properties in Malaysia and Singapore last carried out on 29 May 2015 and 31 August 2017 respectively.

Intangible assets relate mainly to goodwill of S$484.0 million arising from the Target Group's various business acquisitions. The goodwill is subject to impairment assessment at each reporting date in accordance with the accounting policy of the Target Group. The goodwill has been allocated to the following main cash-generating units for impairment testing:

Thomson Medical Pte Ltd	S$379.8 million
TMCLS	S$42.8 million
BB Waterfront Sdn Bhd ("**BB Waterfront**")	S$61.3 million

BB Waterfront, a wholly-owned subsidiary of TMCLS, is a private limited company incorporated in Malaysia and its principal activity is the provision of healthcare services. BB Waterfront is the beneficial owner of the development site which is earmarked for the Thomson Iskandar Medical Hub (as described in Section 5.4 of this Letter below).

In June 2015, TMCLS acquired the entire equity interest of BB Waterfront from Best Blend for a purchase consideration of approximately MYR400 million which was satisfied via the issuance of 533.3 million TMCLS Shares, with 266.7 million free detachable TMCLS Warrants. In connection with the proposed transaction of BB Waterfront, TMCLS also carried out a bonus issue of 599.8 million TMCLS Warrants to all its then entitled shareholders. As a result, TMCLS had issued in total 866,427,384 TMCLS Warrants.

As Best Blend is owned 70% by Incanto and SAS(M) then owned 68.5% of TMCLS, Incanto was issued 186.7 million TMCLS Warrants in connection with the acquisition of BB Waterfront and SAS(M) was issued 410.7 million of the bonus TMCLS Warrants. Hence for the purpose of the Proposed Acquisition, it is the intention for all the outstanding Sale Warrants (comprising 597.4 million TMCLS Warrants) to be held by the Target Group. As at the Latest Practicable Date, there were 866,344,784 outstanding TMCLS Warrants.

Liabilities

Total liabilities of the Target Group of S$600.6 million comprise mainly amounts due to a shareholder of S$447.1 million (74.5% of total liabilities) and interest-bearing loans and borrowings of S$99.9 million (16.6% of total liabilities).

The amounts due to a shareholder pertains to the existing shareholder loans of S$447.1 million owing to Peter Lim. These shareholder loans are unsecured, non-interest bearing, repayable on demand and to be settled in cash.

As set out in Section 4.2 of this Letter, for the purpose of the Proposed Acquisition and the Restructuring Exercise, firstly, such shareholder loans will be partially repaid to the shareholder from a S$350 million loan to be extended by a financial institution, and secondly, following the Restructuring Exercise, the remaining shareholder loans will be assigned from Peter Lim to the Company for a nominal sum of S$1. Hence, after the Proposed Acquisition, these loans will become intercompany amounts due from the Target Group to the Company.

The interest-bearing loans and borrowings of S$99.9 million will remain after the Proposed Acquisition and are mostly due for repayment in 2019. These are secured mainly on the TMCLS Shares and TMCLS Warrants. It is envisaged that after the Proposed Acquisition, the Target Group will have total bank loans of approximately S$450 million consisting of the existing bank loans of S$99.9 million and the new bank loan of S$350 million for the purpose of the Restructuring Exercise.

Equity

Of the total equity of S$357.7 million, S$248.3 million is attributable to the owner of the Target Company and S$109.4 million is attributable to non-controlling interests, which reflects respectively the Target Group's approximately 52% interest in TMCLS and the balance 48% interest in TMCLS that is not owned by the Target Group.

On a NAV comparison, based on the audited financial statements of the Thomson Medical Group for FY31/8/2017, the NAV of the Thomson Medical Group was S$221.8 million as at 31 August 2017, and based on the unaudited financial statements of the TMCLS Group for FY31/8/2017 as announced by TMCLS on 26 October 2017, the NAV of the TMCLS Group was MYR714.4 million (S$226.8 million based on the closing exchange rate of S$1.00:MYR3.15 on 31 August 2017 as disclosed in the Circular).

On a NTA comparison, the NTA of the Thomson Medical Group was S$221.5 million and the NTA of the TMCLS Group was MYR520.0 million (S$165.1 million).

The Target Group's equity attributable to the owner of the company was S$248.3 million and it has intangible assets of S$484.6 million as at 31 August 2017. Accordingly, after excluding these intangible assets, the Target Group would be in a net tangible liability or negative net worth position of S$236.3 million. However, the Target Group has, *inter alia*, significant shareholder loans of S$447.1 million to support the operations of the Target Group.

We understand that the Consideration for the Proposed Acquisition has been negotiated based mainly on the potential earnings of the Target Group as both the Thomson Medical Group and the TMCLS Group have strong profit track record, and expansion and growth plans. The expansion plans for the TMCLS Group are referred to as the Tropicana Medical Centre Expansion and the Thomson Iskandar Medical Hub in Section 5.4 below. The Consideration is also supported by the independent valuation of the Target Group carried out by the Valuer.

Hence, evaluating the Consideration using the asset based approach, which shows the extent to which the value of the Target Group is backed by its net assets or net tangible assets, will not be meaningful nor reasonable. Such asset based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such asset based valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings based valuation.

As an illustration although not fully on a comparable basis, based on the total equity (that is, the NAV) of the Target Group (before excluding non-controlling interest) of S$357.7 million as at 31 August 2017, the approximate consideration of S$1.6 billion for the Proposed Acquisition is at a substantial premium of 3.5 times above the NAV of the Target Group.

<u>Update on certain subsequent event post FY31/8/2017</u>

During FY31/8/2017, on 1 March 2017, the Target Group had, through the Thomson Medical Group, disposed of 100% of its equity interest in Thomson International Health Services Pte Ltd ("**TIHS**") to Sasteria Holdings Pte. Ltd (which is wholly-owned by Peter Lim) at its carrying value of S$113,541. TIHS is engaged in the provision of consultancy services related to the healthcare sector. On 8 December 2017, the Thomson Medical Group entered into a 3-year non-exclusive licensing agreement with TIHS for the licensing of the "Thomson" name to TIHS, which will enable TIHS to provide its services under the Thomson brand name.

5.3 Thomson Medical Group

Thomson Medical is a private limited company incorporated and domiciled in Singapore on 20 October 1977. The Thomson Medical Group's principal activities comprise operations of the Thomson Medical Centre, a fully integrated 187-bed private hospital that provides a comprehensive range of facilities and services with a focus on obstetrics and gynaecology ("**O&G**") and paediatric services, as well as a network of 34 clinics and centres spread across Singapore. Thomson Medical was previously listed on the SGX-ST before it was privatised by Peter Lim, through the Target Company, in 2011. Thomson Medical is wholly-owned by the Target Company.

The directors of Thomson Medical are Mr Quek Hong Sheng Roy, Mr Heng Kim Chuan Freddie, Dr Lam Lee G and Mr Alvin Yeo Khirn Hai. Mr Quek Hong Sheng Roy is also the executive director and chairman of Thomson Medical, and the executive director and group chief executive officer of TMCLS.

As at the Latest Practicable Date, Thomson Medical has an issued and fully paid-up share capital of S$46,244,341 comprising 305,494,434 ordinary shares.

Expansion plans

The Thomson Medical network of clinics have grown rapidly from 16 outpatient clinics in 2010 to 34 clinics and centres island-wide as at the Latest Practicable Date. In the last few years, Thomson Medical has grown beyond its core business of women's and children's healthcare into a multi-disciplinary healthcare provider where services provided have expanded to include dermatology, dentistry, gynaecological oncology, aesthetic services, sports medicine, wellness, cardiology and consumer businesses.

Going forward, Thomson Medical will continue its expansion beyond its current core services into areas such as oncology, cardiology and wellness. It also intends to continue to add more specialist clinics and medical facilities to its network.

Thomson Medical believes that the above will enable the Thomson Medical Group to strengthen its position as the leading private provider of women's and children's healthcare services in Singapore to become a provider of multi-specialty health services where areas of expansion include additional women and children's specialist clinics, fertility, oncology, cardiology, traditional Chinese medicine, wellness and lifestyle-related services.

The Target Group's long-term vision is to use its Singapore (through Thomson Medical Group) and Malaysia (through TMCLS Group) operations as a springboard to develop a pan-Asian integrated private healthcare platform.

Further details on Thomson Medical Group are set out in the Valuation Report on the Target Group and Section 4 of the Circular.

5.4 TMCLS Group

TMCLS was incorporated in Malaysia under the Malaysia Companies Act, 1965 on 8 August 2003 as a private limited company under the name "TMC Life Science Sdn Bhd". TMCLS was converted into a public limited company on 9 December 2003 and assumed its present name "TMC Life Sciences Berhad". TMCLS was listed on the then MESDAQ Market of the then Kuala Lumpur Stock Exchange (now known as the ACE Market of Bursa Securities) on 6 October 2005. TMCLS was subsequently transferred to the Main Board of Bursa Securities (now known as the Main Market of Bursa Securities) on 15 December 2008.

TMCLS's principal business is investment holding. The TMCLS Group operates the flagship hospital, Tropicana Medical Centre, located at Kota Damansara district in Petaling Jaya, Malaysia and 6 fertility centres located throughout Malaysia. Tropicana Medical Centre is a 205-bed multi-disciplinary tertiary care centre for its patients.

The directors of TMCLS are as follows:

1. Professor Emeritus Dato' Dr Khalid Bin Abdul Kadir – Non-Independent Non-Executive Chairman
2. Mr Quek Hong Sheng Roy – Executive Director and Group Chief Executive Officer
3. Dato' Dr Tan Kee Kwong – Independent Non-Executive Director
4. Mr Gary Ho Kuat Foong – Independent Non-Executive Director
5. Ms Claire Lee Suk Leng – Independent Non-Executive Director
6. Mr Kan Kheong Ng – Non-Independent Non-Executive Director
7. Mr Heng Kim Chuan Freddie – Non-Independent Non-Executive Director

As at the Latest Practicable Date, TMCLS has an issued and paid-up share capital comprising 1,736,450,269 TMCLS Shares. Based on the last transacted share price of TMCLS of MYR0.815 on the Latest Practicable Date, the market capitalisation of TMCLS was approximately MYR1,415.2 million (or S$476.7 million).

As at the Latest Practicable Date, TMCLS has a total of 866,344,784 outstanding TMCLS Warrants, which are listed and traded on Bursa Securities. Each TMCLS Warrant will entitle the holder to subscribe for one new TMCLS Share at the exercise price of MYR0.75 during the exercise period of 4 years from its issuance date on 25 June 2015 until 21 June 2019.

In addition, TMCLS has 24,955,500 outstanding TMCLS Options pursuant to its ESOS, of which 15,610,500 TMCLS Options have an exercise price of MYR0.75 per new TMCLS Share and 9,345,000 TMCLS Options have an exercise price of MYR0.94 per new TMCLS Share.

Save for the above, TMCLS does not have any treasury shares or outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares or securities which carry voting rights in TMCLS.

Expansion plans

(a) Tropicana Medical Centre Expansion

The Kota Damansara township has experienced significant population and economic growth, with new condominiums and mixed development projects launched over the last few years. In addition, the Tropicana Medical Centre is well connected to major highways and located next to the Mass Rapid Transit station.

TMCLS owns 6 acres of land in the area and the existing hospital sits on approximately 1.6 acres of this land. With the continuous strong demand for quality healthcare, TMCLS has in place plans to expand Tropicana Medical Centre to cover an additional 2.4 acres of this land to become one of the largest integrated healthcare campus in the Klang Valley, Kuala Lumpur, Malaysia. The expansion plan ("**Tropicana Medical Centre Expansion**"), which is adjacent to Tropicana Medical Centre to house another 400 beds, has been approved to commence construction. It is targeted to be completed by end 2020. The expansion plan will also include additional critical care beds, operating theatres, specialist outpatient clinics and commercial/retail space which will focus on offering healthcare products and services for patients. Post completion of the Tropicana Medical Centre Expansion, TMCLS will have approximately another 2 acres of land on the current Tropicana Medical Centre site available for additional future development.

When the new expansion plan is completed and fully operational, the hospital is expected to have a capacity of approximately 600 beds, offering comprehensive tertiary healthcare services, and continue to be a market leader in the in-vitro fertilisation services sector in Malaysia.

(b) Thomson Iskandar Medical Hub

TMCLS plans to expand in Johor Bahru, Malaysia, through the Thomson Iskandar Medical Hub, a proposed integrated development that will comprise a 500-bed hospital, 400-suite medical tower and complementary retail space to facilitate and provide ancillary services to the operation of hospital and medical suites. It is located in Rowsley's Vantage Bay Healthcare City development and will be synergistic to the development. The Thomson Iskandar Medical Hub is held under BB Waterfront.

The hospital, to be named Hospital Iskandariah, will be equipped with state-of-the-art facilities and equipment. It will also develop seven Centres of Excellence in phases, spanning cardiology, diabetes, fertility, gastroenterology, oncology, orthopaedics and urology. Thomson Iskandar Medical Hub expects to obtain approval to commence the construction in 2018 with target completion by end of 2021.

Population around the Johor Bahru city area and the Iskandar development region has grown from around 1.7 million in 2011 to 1.9 million in 2014 and is expected to grow to about 3.0 million in 2025, according to Iskandar Regional Development Authority. With its strategic location in Johor Bahru which is easily accessible to Singaporeans with the proposed high-speed rail train station, Thomson Iskandar Medical Hub is also expected to capture a significant number of Singaporeans as part of its patient load. Hence, the proposed branding under the name of "Thomson" for the project.

Further details on the TMCLS Group are set out in the Valuation Report on the Target Group and Section 2 to Section 4 of the Circular.

Details on the TMCLS Group can also be found on www.bursamalaysia.com.

6. INDEPENDENT VALUATION OF THE TARGET GROUP

We note that the consideration for the 100% equity interest of the Target Group was arrived after arm's length negotiations between the Company and the Vendor on a willing-buyer willing-seller basis taking into account amongst others, the profitability of Thomson Medical, TMCLS, and the unique opportunity to tap their growth potential.

In connection with the Proposed Acquisition, the Company had commissioned BDO, the Valuer, to carry out an independent valuation of the 100% equity interest of the Target Company as at 31 August 2017, being the valuation date. Details of the independent valuation of the Target Group are set out in the Valuation Report on the Target Group which is a document available for inspection. The Summary Valuation Report on the Target Group is attached as Appendix B to the Circular.

The Valuer has been given the basis that the Target Company will own 100% shareholding interest in Thomson Medical and 70.36% shareholding interest in TMCLS and excludes the 597 million TMCLS Warrants which the Company is to acquire for cash as part of the Proposed Acquisition. Accordingly, the valuation ascertained by the Valuer does not include the valuation of the 597 million TMCLS Warrants.

Basis of valuation

The Valuer had conducted the valuation exercise on the basis of the "fair value" which is defined in the Valuation Report on the Target Group as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*", International Financial Reporting Standards (IFRS) 13.

Valuation methodology

The Valuer has taken into consideration the results of its valuation procedures performed primarily using the discounted cash flow ("**DCF**") methodology and supported by the comparable companies analysis. The Valuer had used the comparable companies analysis to triangulate the DCF derived valuation results. For this purpose, the Valuer had compared the implied EV/EBITDA multiple computed using forward EBITDA against the trailing T12M multiples of comparable companies.

Income approach

In arriving at the valuation results, the Valuer had adopted the income approach using the DCF methodology as the primary valuation approach in valuing the Target Group for the following reasons:

- The value proposition of Thomson Medical and TMCLS is primarily income driven, underpinned by the strong growth potential of the healthcare industry. The DCF methodology will better reflect a valuation that is based on income derived from future plans backed by the expected healthcare operations growth in this region.

- The general insufficiency of information available on precedent transactions completed in the recent past, of businesses with similar characteristics to the Target Group.

The 3 underlying businesses of the Target Group comprising (a) Thomson Medical Group, (b) TMCLS Group (including the Tropicana Medical Centre Expansion) and (c) Thomson Iskandar Medical Hub, are at different stages of development and are situated in two different geographical locations, namely Singapore and Malaysia.

Accordingly, the Valuer had adopted the "sum-of-the-parts" approach to derive the free cash flows ("**FCF**") derived from the earnings of each of the healthcare businesses to arrive at the equity valuation of each of these parts.

Under the income approach and DCF methodology, the Valuer first required the Target Group management to project the FCFs of the three underlying businesses and also attribute a terminal value for each of the underlying business at the end of the projection period. The Tropicana Medical Centre Expansion and the Thomson Iskandar Medical Hub development are expected to commence operations in 2021 and 2022 respectively.

The FCFs and terminal value for each project were discounted to present value using appropriate discount rates. The cumulative present value of all cash flows and the terminal value comprised the enterprise value of the Target Group.

The Valuer then considered the debt value of the Target Group in deriving the equity value of the Target Group. The debt value includes existing loans which is approximately S$450 million after the Restructuring Exercise and approximately MYR1,000 million (S$322.2 million) of new loans for the Tropicana Medical Centre Expansion and the Thomson Iskandar Medical Hub. The present value of this new financing is estimated to be S$298.5 million.

The Valuer had carried out a sensitivity analysis considering changes in two of the key operating parameters with highest impact on earnings. These are (a) time for construction and (b) occupancy rate. The lower end of the range (Low Case) reflects further unexpected delay in construction completion and lower than expected occupancy rates while the higher end (High Case) reflects the current average occupancy rate of top 5 comparable companies. Tax savings included in the High Case as tax incentives were not factored into the Base Case. Based on this, the Valuer had derived a range of equity value of between S$1.539 billion and S$1.777 billion for the Target Group.

Sensitivities on valuation parameters such as weighted average cost of capital discount rate and long term growth rates are also performed and the Valuer had derived a range of equity value of between S$1.561 billion and S$1.759 billion for the Target Group.

In conclusion, the Valuer had ascribed a range of equity value of the Target Group to be S$1.539 billion (Low Case), S$1.665 billion (Base Case) and S$1.777 billion (High Case).

We note that the Base Case valuation of S$1.665 billion is approximately at the mid-point of the Low Case and High Case valuation.

The Consideration of S$1.6 billion for the Target Group is at a slight discount of approximately 3.9% to the Base Case equity value of S$1.665 billion ascribed by the Valuer.

Under the Base Case, the Valuer had derived the sum-of-parts valuation of the Target Group based on its ascribed equity value of S$1,199 million for the Thomson Medical Group, S$377 million for TMCLS Group (including the Tropicana Medical Centre Expansion) and S$89 million for the Thomson Iskandar Medical Hub.

Comparable companies' analysis

The Valuer had also used the comparable companies' analysis to triangulate the valuation results by comparing the implied EV/EBITDA multiple using the forward EBITDA against the T12M multiples of comparable companies.

EBITDA is a proxy for operating cash flow and EV/EBITDA multiple measures price to cash flow ratio. The multiple is unaffected by differences in depreciation policy, tax charges and is capital structure neutral, allowing comparable companies with different debt levels to be used for comparison purpose.

As the valuation had included the Tropicana Medical Centre Expansion and the Thomson Iskandar Medical Hub which will only commence operations in 2021 and 2022, the Valuer is of the opinion that the forward multiple is more appropriate as it allows for the use of maintainable earnings which will crystallise in a future period, that is the terminal year's EBITDA. The present value of the terminal year EBITDA is S$126.0 million.

Accordingly, based on the EV (Base Case) of S$2,609 million, the implied EV/EBITDA multiple of the Target Group is 20.7 times.

The Valuer had compared the Target Group's implied EV/EBITDA of 20.7 times against the median EV/EBITDA multiple of 24.6 times of the comparable companies that are listed on various stock exchanges, namely SGX-ST, Bursa Securities, Indonesian Stock Exchange ("**IDX**"), National Stock Exchange of India Limited ("**NSE**"), Stock Exchange of Thailand ("**SET**") and Stock Exchange of Hong Kong ("**SEHK**").

The Target Group's implied EV/EBITDA is 15.9% lower than the median EV/EBITDA multiple of the comparable companies.

For the avoidance of doubt, we have not made an independent evaluation or appraisal of the assets and liabilities (including without limitation, PPE) and/or business of the Target Group. We are not experts in the valuation of the business of the Target Group and we have therefore placed sole reliance on the Valuation Report on the Target Group for such valuation and have not made any independent verification of the contents thereof.

The stated values of the 100% equity interest of the Target Group are based on the valuation performed by the Valuer. We do not assume any responsibility to inquire about the basis of such valuations or if the contents thereof have been prepared and/or included in the Circular in accordance with all applicable regulatory requirements.

7. THE PROPOSED WHITEWASH RESOLUTION

Under Rule 14.1 of the Code, where (a) any person who 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 in 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 in the Company and such person, or any person acting in concert with him, acquires in any period of six months additional Shares carrying more than 1% voting rights, he is required to make a mandatory general offer for all the Shares in the Company which he does not already own or control.

As at the Latest Practicable Date, Peter Lim and his associates have beneficial interest of approximately 45.36% of the existing total issued Shares. The Company does not have any outstanding instruments convertible into rights to subscribe for and options in respect of the Shares, and Peter Lim and his associates do not hold any such instruments.

Assuming the completion of the Proposed Acquisition and the Proposed Bonus Issue, Peter Lim and his associates will have their existing shareholding interests in the Company increased to between 71.25% and 90.07% of the Enlarged Group, depending on the scenarios as set out in Section 13.5 of the Circular. Peter Lim and his concert parties are therefore required under the Code to make the Mandatory Offer for the Shares not already owned or controlled 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.

Accordingly, an application was made to the SIC on behalf of Peter Lim and his concert parties for the Whitewash Waiver to waive Peter Lim and his concert parties of their obligation to make the Mandatory Offer for the Company under Rule 14.1 of the Code as a result of them receiving the Consideration Shares.

The SIC had, on 18 December 2017, granted the Whitewash Waiver to Peter Lim and his concert parties, subject to the satisfaction of certain conditions as follows:

(i) a majority of holders of voting rights of the Company approve at a general meeting, before the issue of the Consideration Shares, the Proposed Whitewash Resolution by way of a poll to waive their rights to receive a general offer from Peter Lim and his concert parties;

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

(iii) Peter Lim, parties acting in concert with him and parties not independent of them abstain from voting on the Proposed Whitewash Resolution;

(iv) Peter Lim and his concert parties did not acquire or are not to acquire any Shares or instruments convertible into and options in respect of 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):

(a) during the period between the Initial Announcement and the date of Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

(b) in the six months prior to the Initial Announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors of the Company in relation to the Proposed Acquisition;

(v) the Company appoints an IFA to advise its Independent Shareholders on the Proposed Whitewash Resolution;

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

(a) details of the Proposed Acquisition and the issue of the Consideration Shares to Peter Lim or as he may direct;

(b) the dilution effect to existing Shareholders upon the issue of the Consideration Shares to Peter Lim or as he may direct;

(c) 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 in the Company held by Peter Lim and his concert parties as at the Latest Practicable Date;

(d) the number and percentage of voting rights to be issued to Peter Lim or as he may direct upon the issue of the Consideration Shares;

(e) specific and prominent reference to the fact that the issue of the Consideration Shares would result in Peter Lim and his concert parties holding Shares carrying over 49% of the voting rights of the Company and the fact that Peter Lim and his concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer;

(f) specific and prominent reference to the fact that the Independent Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from Peter Lim and his concert parties at the highest price paid by Peter Lim and his concert parties for the Shares in the Company in the past six months preceding the commencement of the offer;

(vii) the Circular states that the waiver granted by the SIC to Peter Lim and his concert parties from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at (i) to (vi) above;

(viii) the Company obtains the SIC's approval in advance for those parts of the Circular that refers to the Proposed Whitewash Resolution; and

(ix) to rely on the Proposed Whitewash Resolution, the subscription of the Consideration Shares by Peter Lim or as he may direct must be completed within three months of the approval of the Proposed Whitewash Resolution.

As at the Latest Practicable Date, all the above conditions imposed by SIC, except for conditions (i), (iii), (iv)(a) and (ix) have been satisfied.

SIC ruling on TMJ

As set out in Section 1.4 of this Letter, the SIC had ruled that TMJ, a substantial Shareholder of the Company, is considered as a party acting in concert with Peter Lim and accordingly, TMJ and his associates are not permitted to vote on the Proposed Whitewash Resolution.

We note that in view of Note 5 of Rule 14.1 of the Code, as the balance between the shareholding interests of Peter Lim and TMJ will change significantly following the issuance of the Consideration Shares to Peter Lim and his associates, notwithstanding that Peter Lim, TMJ and their associates hold, in aggregate, more than 50% of the shareholding interest in the Company prior to the Proposed Acquisition, Peter Lim and his associates are proceeding to seek for the Whitewash Waiver.

Recommendation

The Independent Shareholders are therefore asked to vote, on a poll, on the Proposed Whitewash Resolution set out as an ordinary resolution in the Notice of EGM set out in the Circular.

We recommend that the Recommending Directors advise the Independent Shareholders that:

(a) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer for their Shares from Peter Lim and his concert parties at the highest price paid by Peter Lim and his concert parties in the six months preceding the commencement of the offer which they would have otherwise been obliged to make for the Shares in accordance with Rule 14 of the Code;

(b) the allotment and issue of the Consideration Shares to Peter Lim and his concert parties will result in Peter Lim and his concert parties holding Shares carrying more than 49% of the total voting rights of the Company, and Peter Lim and his concert parties will thereafter be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer for the Company; and

(c) in the context of the Whitewash Waiver, the Proposed Acquisition is conditional upon them voting in favour of the Proposed Whitewash Resolution. In the event that the Proposed Whitewash Resolution is not approved by the Independent Shareholders, the Proposed Acquisition will not be completed.

8. EVALUATION OF THE PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION AND THE PROPOSED WHITEWASH RESOLUTION

In our evaluation of the Proposed Acquisition as an Interested Person Transaction and the Proposed Whitewash Resolution in the context of the Proposed Acquisition, we have given due consideration to, *inter alia*, the following key factors:

(a) rationale for the Proposed Acquisition;

(b) assessment of the Restructuring Exercise;

(c) assessment of the financial terms of the Proposed Acquisition;

(d) assessment of the Issue Price for the Consideration Shares;

(e) dilution impact arising from the Proposed Acquisition on the Independent Shareholders; and

(f) other relevant considerations.

8.1 Rationale for the Proposed Acquisition

It is not within our terms of reference to comment or express an opinion on the merits of the Proposed Acquisition or the future prospects of the Group after the Proposed Acquisition. The full text of the Company's rationale for the Proposed Acquisition is set out in the Summary section and in Section 3.1 of the Circular.

In summary, the Company's rationale for the Proposed Acquisition are as follows:

(a) The Proposed Acquisition will provide an opportunity for the Company to acquire two well-established hospitals in Singapore and Malaysia as well as a network of affiliated clinics. Thomson Medical Centre in Singapore and Tropicana Medical Centre located in Kuala Lumpur, Malaysia are top-tier private hospitals with a strong heritage and brand equity as leading providers of healthcare services in their respective geographies;

(b) The Proposed Acquisition will enable the Group to participate in an expanding healthcare business, driven by increasing demand from, *inter alia*, greater health awareness, rising affluence, ageing population and an increased incidence of chronic diseases;

(c) Following the Completion, the Company's market capitalisation is expected to increase by S$1.6 billion, thereby transforming it into one of the largest listed healthcare players in South-East Asia by market capitalisation, hence raising the profile of the Company and generating higher investor interest; and

(d) The Company will raise proceeds of S$852.9 million from the exercise of the Bonus Warrants and up to S$1,990.1 million from the exercise of both the Bonus Warrants and Piggyback Warrants which will strengthen its balance sheet, fund expansion plans and future working capital.

We like to highlight the following salient points on the Proposed Acquisition:

(1) The Proposed Acquisition will enable the Group to expand into a new core business, that of the provision of healthcare services. As set out in Section 2.15 of the Circular, post-Completion, the Company will be assessing options to divest its real estate portfolio, comprising design and engineering consultancy, hospitality and real estate investments, save for Vantage Bay Healthcare City, which will be integrated as part of the healthcare business;

(2) The Proposed Acquisition is considered as a very substantial acquisition as the consideration for the Proposed Acquisition of S$1.6 billion is approximately 3.0 times the market capitalisation of the Company of S$540.2 million as at the Latest Practicable Date;

(3) The Proposed Acquisition is substantially funded by new equity of the Company through the issuance of new Consideration Shares. While the Company does not have to leverage itself substantially for the Proposed Acquisition, the issuance of the 21.3 billion Consideration Shares to Peter Lim and his associates will result in them acquiring super majority control of the Company of 90.07% of the enlarged number of Shares immediately after the Proposed Acquisition. If Peter Lim and his associates continue to hold at least 75% of the enlarged issued Shares, then they will be able to pass all ordinary and special resolutions proposed by the Company at Shareholders' general meetings, except where such resolution pertains to interested person transactions where Peter Lim and its associates are deemed as interested persons in the proposed transactions;

(4) Pursuant to the Rule 1015(3)(c) and Rule 229 of the Listing Manual, Peter Lim and his associates will be required to undertake a moratorium on, *inter alia*, all its existing Shares and the Consideration Shares (save for the purpose of the Compliance Placement, if any)

for a period of 6 months from Completion. Details on the moratorium are set out in Section 3.3 of this Letter and Section 2.13 of the Circular; and

(5) The Proposed Bonus Issue will, subject to the completion of the Proposed Acquisition, result in the Company potentially increasing its existing share capital by up to S$2.0 billion upon the exercise of all the Bonus Warrants and Piggyback Warrants.

8.2 Assessment of the Restructuring Exercise

It is the intention of the Company to acquire all of the Vendor and/or his associates' interests in the Target Group to avoid any potential conflict of interest. As set out in Section 4.2 of this Letter, all of the Vendor and/or his associates' interests in the Target Group are not fully in place yet within the Target Group as at the time of the Initial Announcement and the Acquisition Agreement. In addition, the Proposed Acquisition is subject to various approvals including Shareholders' approval at the EGM. Hence, parties to the Acquisition Agreement have agreed for the Restructuring Exercise to be carried out prior to the completion of the Proposed Acquisition in order to facilitate the transfer of all of the Vendor and/or his associates' interests in the Target Group to be consolidated within the Target Group.

In particular, *inter alia*, the following Restructuring Exercise is being contemplated:

(a) Transfer of an aggregate interest of 18.43% from Incanto and Best Blend, representing all of the remaining interests of the Vendor and/or its associates in TMCLS, to SAS(M) such that SAS(M) will own in total 70.35% of TMCLS. As TMCLS Shares are listed and quoted on Bursa Securities, the transfer of the TMCLS Shares is proposed to be carried out based on the then prevailing market price of the TMCLS Shares in accordance with the rules of Bursa Securities.

(b) As mentioned in Section 1.1 of this Letter, we understand from the Company that at the time of the signing of the Term Sheet, the parties have not agreed on the terms of the acquisition of the TMCLS Warrants and hence, the Term Sheet had excluded the TMCLS Warrants and the Consideration for the proposed acquisition of the Target Company then does not include the consideration for the TMCLS Warrants, including the TMCLS Warrants already held under SAS(M). Hence, pursuant to the Acquisition Agreement, the parties had agreed for the consideration for the TMCLS Warrants to be separately accounted for and to be paid in cash based on the 1-month VWAP of the TMCLS Warrants as the TMCLS Warrants are listed and quoted on Bursa Securities. The parties to the Acquisition Agreement had agreed for the consideration for the Sale Warrants to be paid in cash as the amount is small in comparison with the consideration for the proposed acquisition of the shares of the Target Company.

It is the intention of the Company that it should, through the Target Group, own all the TMCLS Warrants that Peter Lim and/or his associates may have an interest in. SAS(M) already owned 410.7 million TMCLS Warrants, representing 47.40% of the outstanding TMCLS Warrants issued by TMCLS. Incanto holds 186.7 million TMCLS Warrants, representing another 21.55% of the outstanding TMCLS Warrants. In total, the Target Group will own 68.95% of all the outstanding TMCLS Warrants.

The transfer of the TMCLS Warrants from Incanto to SAS(M) is important to (a) avoid any potential conflict of interest going forward, and (b) as the TMCLS Warrants have a potential dilutive effect on the Target Group's interest in TMCLS if they are held outside of the Target Group. It is therefore in the interest of the Group to hold these TMCLS Warrants to maintain its majority control of TMCLS in the event of any exercise of the TMCLS Warrants. Upon the exercise of all the TMCLS Warrants into the new TMCLS Shares, the Target Group's shareholding interest in the enlarged TMCLS will be diluted slightly to 69.88%. As an illustration to show the significance if all the Sale Warrants are not held by the Target Group, the Group's shareholding interest in TMCLS will be diluted from 70.35% to 46.94% upon the exercise of all the outstanding TMCLS Warrants.

As part of the Restructuring Exercise, the Vendor will procure the transfer of the 186.7 million TMCLS Warrants held by Incanto, representing all of the Vendor's interest in the TMCLS Warrants outside of the Target Group, to SAS(M). As the TMCLS Warrants are listed and quoted on Bursa Securities, the transfer of the TMCLS Warrants is proposed to be carried out based on the then prevailing market price of the TMCLS Warrants in accordance with the rules of Bursa Securities; and

(c) The Target Group will also undergo a restructuring of the amounts owing to Peter Lim and his associates. Based on our understanding, Peter Lim and his associates had funded the acquisitions of Thomson Medical and TMCLS via, *inter alia*, shareholder loans. The Target Company has outstanding shareholder loans of S$426 million and SAS(M), a wholly-owned subsidiary of the Target Company, has outstanding shareholder loans of S$21 million and bank loans of S$100 million. In the ordinary course of business, Peter Lim and his associates could have funded the Target Company and SAS(M) either by way of paid-up capital and/or inter-company loans.

For the purpose of the Proposed Acquisition, the Target Company has in place a bank loan of S$350 million from a financial institution to repay part of the outstanding shareholder loans owing to Peter Lim. Hence, the Target Group will have total bank loans of S$450 million after the Proposed Acquisition. It is also the intention for all remaining outstanding shareholder loans owing to Peter Lim from the Target Group to be assigned to the Company for a nominal sum of S$1.

Pursuant to the conditions precedent for the Proposed Acquisition in respect of the shares of the Target Company and the Sale Warrants, the Company had clarified that Peter Lim will not be receiving any additional payment arising from the Restructuring Exercise and there is no repayment of the shareholder loans save for the proposed bank loans of S$350 million which will be utilised to partially repay the shareholder loans owing to Peter Lim, as all the remaining outstanding shareholder loans will be assigned to the Company for a nominal sum of S$1.

The net effect of the above is that the Company will pay separately the consideration for the TMCLS Warrants and the shareholder loans is a funding structure of the Target Group which will be fully assigned to the Company. Hence, after the Proposed Acquisition, these loans will become intercompany amounts due from the Target Group to the Company. Peter Lim and his associates will cease to have any interest in the Target Group other than through the Company.

In arriving at the independent valuation of the 100% equity interest of the Target Group as described in Section 6 of this Letter, the Valuer has also taken into consideration, *inter alia*, the Target Group's total bank loans of S$450 million following the Restructuring Exercise.

8.3 Assessment of the financial terms of the Proposed Acquisition

As set out in Section 4.1 and Section 4.2 of this Letter, the Proposed Acquisition (following the Restructuring Exercise) will comprise the following:

(a) the acquisition of the entire issued shares of the Target Company which will include 100% equity interest of Thomson Medical Pte Ltd and 70.35% of TMCLS, for a consideration of S$1.6 billion to be satisfied via the issuance of approximately 21,333,333,334 Consideration Shares at the issue price of S$0.075 per Consideration Share; and

(b) the acquisition of 597,319,140 TMCLS Warrants for cash consideration to be determined based on the 1-month VWAP of the TMCLS Warrants transacted on Bursa Securities preceding on the date ending on the fourth market day prior to the date of the forthcoming EGM to approve, *inter alia*, the Proposed Acquisition.

For the purpose of the Interested Person Transaction and for the Proposed Whitewash Resolution, we have considered the following in our assessment of the financial terms of the Proposed Acquisition:

(i) whether the consideration of S$1.6 billion for the Target Group is fair and reasonable (which is set out in Section 8.3.1 below);

(ii) whether the cash consideration for the TMCLS Warrants is fair and reasonable (which is set out in Section 8.3.2 below); and

(iii) whether the Issue Price for the Consideration Shares in connection with (i) above is fair and reasonable (which is set out in Section 8.3.3 below).

8.3.1 Consideration for the Target Group

In evaluating the Consideration for the Target Group, we have considered the following:

(a) Independent valuation of the Target Group as determined by the Valuer as at 31 August 2017; and

(b) Comparison of the valuation ratios of selected listed companies whose businesses are broadly comparable with the Target Group.

Comparison against the independent valuation of the Target Group

As set out in Section 6 of this Letter, in connection with the Proposed Acquisition, the Company had commissioned the Valuer to carry out an independent valuation of the 100% equity interest of the Target Group as at 31 August 2017. As highlighted in Section 6 of this Letter, the independent valuation of the Target Group does not include the 597 million TMCLS Warrants that the Company is to acquire for cash as part of the Proposed Acquisition.

In conclusion, the Valuer had ascribed a range of equity value of the Target Group to be between S$1.539 billion (Low Case), S$1.665 billion (Base Case) and S$1.777 billion (High Case). The Base Case valuation of S$1.665 billion is approximately at the mid-point of the Low Case and High Case valuation.

The Consideration of S$1.6 billion for the Target Group is at a slight discount of approximately 3.9% to the Base Case equity value of S$1.665 billion ascribed by the Valuer.

Under the Base Case, the Valuer had derived the sum-of-parts valuation of the Target Group based on its ascribed equity value of S$1,199 million for the Thomson Medical Group, S$377 million for TMCLS Group (including the Tropicana Medical Centre Expansion) and S$89 million for the Thomson Iskandar Medical Hub.

Comparison of the valuation ratios of selected listed companies whose businesses are broadly comparable with the Target Group

As highlighted in Section 5.3 and Section 5.4 of this Letter, the Target Group, in particular, Thomson Medical Group and the TMCLS Group have expansion and growth plans which are envisaged to be completed in the next few years. Hence, using the conventional valuation ratios of historical price earnings multiple and price-to-NAV multiples computed based on the historical financial information of the Target Group will not be meaningful.

Instead, we have adopted the Valuer's approach in using the forward EV/EBITDA multiple of the Target Group as the basis of valuation ratio to compare against selected listed companies whose businesses are broadly comparable with the Target Group ("**Comparable Companies**"). The implied EV/EBITDA multiple of the Target Group is 20.7 times based on the Base Case equity value of the Target Group, as computed by the Valuer set out in Section 6 of this Letter.

The 14 Comparable Companies that we have selected are listed on various regional stock exchanges and are engaged in broadly similar hospital operations mostly with ongoing and/or future expansion plans as disclosed in their latest publicly available annual reports and/or publicly available announcements. For a more meaningful comparison, we have selected Comparable Companies with a market capitalisation of more than S$500 million.

We have had discussions with the Management about the suitability and reasonableness of the selected Comparable Companies acting as a basis for comparison with the Target Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The accounting policies of the Comparable Companies with respect to the values for which the assets or the revenue and cost are recorded may differ from that of the Target Group.

We wish to highlight that the selected Comparable Companies may not be exhaustive and it should be noted that there may not be any listed company that is directly comparable with the Target Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for these selected Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Comparable Companies, as extracted from Bloomberg L.P., is set out below:

Name	Principal business
Listed on SGX-ST	
Raffles Medical Group (“**Raffles Medical**”)	Raffles Medical is a health care provider. The group operates medical clinics, imaging centres and medical laboratories. The group also provides general and specialized medical, medical evacuation, medical advisory and dental treatment services.
Health Management International Ltd (“**HMI**”)	HMI is a regional private healthcare provider in South-East Asia. The group owns and operates tertiary care hospitals supported by a patient referral network as well as a healthcare training institute.
Listed on Bursa Securities	
IHH Healthcare Bhd (“**IHH**”)	IHH provides healthcare services. The group operates hospitals as well as medical centres, clinics and ancillary healthcare businesses across multiple countries, including Singapore, Malaysia, Turkey, The People’s Republic of China, India, Hong Kong, Vietnam, Macedonia and Brunei.
KPJ Healthcare Bhd (“**KPJ**”)	KPJ is an investment holding company. The group operates specialist medical centres and also provides pathology and laboratory services, hospital management services, drug and medical distribution along with operating a nursing college.
Listed on SET	
Bangkok Dusit Medical Services Public Company Limited (“**Bangkok Dusit**”)	Bangkok Dusit operates Bangkok General Hospital. The hospital specializes in cardiovascular, lung, neurological, eye and genitourinary cancer, as well as physical therapy and medical imaging.
Ramkhamhaeng Hospital Public Company Limited (“**Ramkhamhaeng**”)	Ramkhamhaeng owns and operates the Ramkhamhaeng hospital located in Bangkok.
Listed on IDX	
Mitra Keluarga Karyasehat Tbk PT (“**Mitra Keluarga Karyasehat**”)	Mitra Keluarga Karyasehat engages in hospital management and business services. The group operates hospitals located in the Greater Jakarta Area, Surabaya and Tegal (Central Java), Indonesia.

Name	Principal business
Siloam International Hospitals Tbk PT ("**Siloam International**")	Siloam International owns and operates hospitals. The group offers a comprehensive range of specialist medical services including laboratory services, radiology, imaging and complex surgical procedures. Siloam International operates its hospitals throughout Indonesia.
Listed on NSE	
Fortis Healthcare Limited ("**Fortis Healthcare**")	Fortis Healthcare is a health care provider. The group operates multi-specialty hospitals, a boutique-style hospital, and various satellite and heart command centres.
Apollo Hospitals Enterprise Ltd ("**Apollo**")	Apollo owns and operates hospitals in India. The group also runs a 24-hour pharmacy network via over 120 outlets across India. Apollo Hospitals also run clinics and offer managed care and family health plans. The group has a variety of locations in Chennai, Hyderabad, Delhi, Dubai, Vizag, Bilaspur and Chengannur, India.
Narayana Hrudayalaya Ltd ("**Narayana**")	Narayana operates a network of hospitals. The group offers cardiac surgery, cardiology, diabetes and endocrinology, gastroenterology, general surgery, neuroscience, facial surgery, nephrology, obstetrics and gynecology, orthopedics, oncology, pediatrics, transplant and urology services.
HealthCare Global Enterprises Ltd ("**HealthCare Global**")	HealthCare Global provides medical and surgical hospital services. The hospital offers cancer care, chemotherapy, cyberknife surgery, surgical, radiation and medical oncology services.
Listed on SEHK	
New Century Healthcare Holding Co Ltd ("**New Century**")	New Century operates as a holding company. The group manages pediatrics, obstetrics and gynecology hospitals throughout China.
Rici Healthcare Holdings Ltd ("**Rici**")	Rici operates private integrate health care hospitals. The group provides high-end medicare, specialized hospital, physical examination, medical products supply, and other related services throughout China.

Source: *Bloomberg L.P.*

For the purpose of our evaluation and for illustration, we have made a comparison of the Target Group based on its forward EV/EBITDA multiple against the historical EV/EBITDA multiples of the Comparable Companies. Of these 14 Comparable Companies, nine of them are the same as the comparable companies used by the Valuer. The Valuer had a total of 18 comparable companies.

Comparable Companies	Last financial year-end	Market capitalisation as at the Announcement Date (S$'million)(1)	EV/EBITDA multiple(2)(3) (times)
Listed on SGX-ST			
Raffles Medical	31 Dec 2016	1,912.59	19.8
HMI	30 Jun 2017	548.76	19.8
Listed on Bursa Securities			
IHH	31 Dec 2016	15,772.92	20.5
KPJ	31 Dec 2016	1,285.71	12.5
Listed on SET			
Bangkok Dusit	31 Dec 2016	13,686.97	18.8
Ramkhamhaeng	31 Dec 2016	1,463.45	22.0

Comparable Companies	Last financial year-end	Market capitalisation as at the Announcement Date (S$'million)(1)	EV/EBITDA multiple(2)(3) (times)
Listed on IDX			
Mitra Keluarga Karyasehat	31 Dec 2016	2,635.35	29.4
Siloam International	31 Dec 2016	1,653.76	30.6
Listed on NSE			
Apollo	31 Mar 2017	3,504.66	24.9
Fortis Healthcare	31 Mar 2017	1,479.10	10.8
Narayana	31 Mar 2017	1,226.52	26.7
HealthCare Global	31 Mar 2017	504.06	23.6
Listed on SEHK			
New Century	31 Dec 2016	824.13	28.5
Rici	31 Dec 2016	599.29	19.5
High			30.6
Low			10.8
Mean			22.0
Median			21.3
Target Group (based on the Valuer's independent valuation of the Target Group – Base Case)	**31 Aug 2017**	**1,665.00**(4)	**20.7 (based on the Valuer's forward EV/EBITDA multiple of the Target Group)**

***Source**: Bloomberg L.P., annual report and financial information of the Comparable Companies*

Notes:

(1) Based on the exchange rates of S$1.00:MYR3.0349, S$1.00:THB24.1074, S$1.00:IDR10,076.49, S$1.00:INR47.5612 and S$1.00:HKD5.7914 and the share price of the respective Comparable Companies on 15 December 2017, being the last trading day prior to the Announcement Date ("**Last Trading Day**"), as extracted from Bloomberg L.P.;

(2) The EV of the respective Comparable Companies were based on (i) their market capitalisation as at the Last Trading Day as extracted from Bloomberg L.P.; and (ii) their preferred equity, minority interests and net debt (if any), as set out in their respective latest available financial results as at the Last Trading Day;

(3) Based on the respective latest published full year EBITDA or their T12M EBITDA, where applicable, of the Comparable Companies as at the Last Trading Day and adjusted for one-off exceptional items, where applicable; and

(4) Based on the Valuer's independent valuation of the equity value (Base Case) of the Target Group as at 31 August 2017 as set out in Section 6 of this Letter.

Based on the above, we note that the forward EV/EBITDA multiple of the Target Group of 20.7 times is within the range and slightly below the mean and median of the historical EV/EBITDA multiples of the Comparable Companies.

8.3.2 Consideration for the TMCLS Warrants

Each TMCLS Warrant will entitle the holder to subscribe for one new TMCLS Share at an exercise price of MYR0.75 during the exercise period, which is 4 years from the issuance date of the TMCLS Warrants on 25 June 2015 and expiring on 21 June 2019.

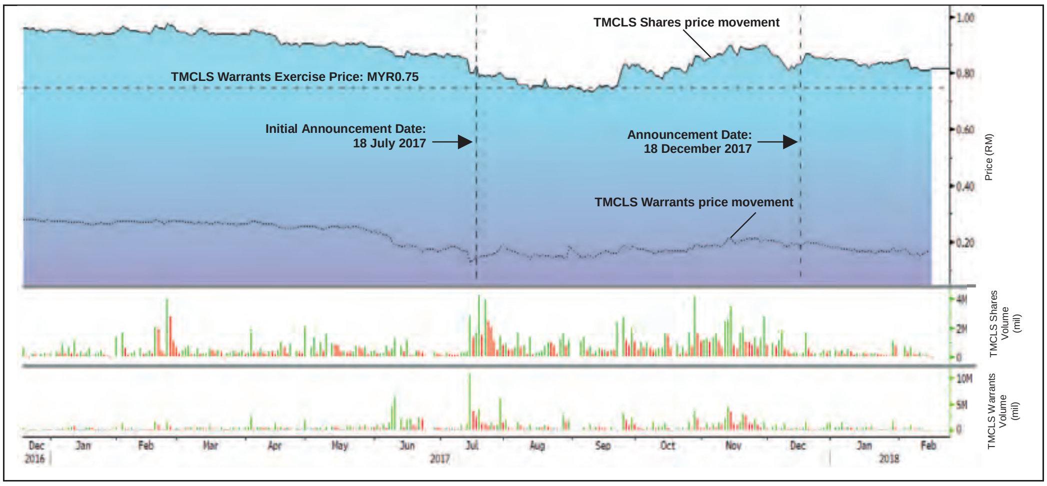
Pursuant to the Acquisition Agreement, the Company will acquire 597,319,140 TMCLS Warrants for a cash consideration to be determined based on the 1-month VWAP of the TMCLS Warrants transacted on Bursa Securities preceding on the date ending on the fourth market day prior to the date of the EGM. We understand from the Company that it intends to announce the final purchase price for the TMCLS Warrants at least 72 hours prior to the date of the EGM so that Shareholders will have sufficient notice of the final purchase consideration for the TMCLS Warrants before the last date and time for the submission of proxy forms for the EGM.

On 15 December 2017, being the last full market day when the TMCLS Shares were last transacted on Bursa Securities prior to the release of the Announcement of the Acquisition Agreement, the TMCLS Warrants are “in-the-money” by MYR0.08 as the exercise price of MYR0.75 is lower than the last transacted TMCLS Share price of MYR0.83. On the same day, the TMCLS Warrants were last transacted at MYR0.185. This implies that the TMCLS Warrants are trading at a premium of MYR0.105 above the intrinsic value of the TMCLS Warrants, representing effectively the time value of the TMCLS Warrants for the remaining less than 2 years until the expiry date of the TMCLS Warrants.

As at the Latest Practicable Date, the TMCLS Warrants continued to remain “in-the-money” with an intrinsic value of MYR0.065 based on the last transacted TMCLS Share price of MYR0.815. On 14 February 2018, being the trading day when the TMCLS Warrants were last transacted prior to the Latest Practicable Date, the TMCLS Warrants were last transacted at MYR0.165. This represents a premium of MYR0.100 above the intrinsic value of the TMCLS Warrants.

As can be seen from the price chart below in relation to the TMCLS Shares and the TMCLS Warrants, the TMCLS Warrants had generally traded in tandem with the TMCLS Shares. The TMCLS Warrants are trading at a price which reflects the intrinsic value as well as the time value of the TMCLS Warrants for the remaining less than 2 years until the expiry date of the TMCLS Warrants.

Price movement and trading volume of the TMCLS Shares and TMCLS Warrants for the 1-year period prior to the Announcement Date and up to the Latest Practicable Date



Source: *Bloomberg L.P.*

As the TMCLS Shares and TMCLS Warrants are regularly traded on Bursa Securities, the determination of the purchase consideration for the TMCLS Warrants based on the 1-month VWAP will reasonably reflect the market value of the TMCLS Warrants. In addition, the 1-month duration in calculating the VWAP price will average out any volatile swings in the trading pattern of the TMCLS Warrants over a reasonable period of time.

We understand from the Company that the purchase consideration for TMCLS Warrants could not be fixed at the time of the Acquisition Agreement as the TMCLS Warrants continue to be traded on Bursa Securities and any fixing of the TMCLS Warrants may indirectly cap the trading price of the TMCLS Warrants as well as the TMCLS Shares. However, in order for Shareholders to approve the Proposed Acquisition with certainty, in particular, on the consideration for the TMCLS Warrants, the parties to the Acquisition Agreement therefore agreed to determine the purchase price of the TMCLS Warrants to be based on the 1-month VWAP price ending on the date preceding the fourth market day prior to the date of the EGM. This will allow sufficient time for Shareholders to be notified of the final purchase consideration for the TMCLS Warrants before the EGM and before the last day for the submission of proxy forms for the EGM.

Shareholders should therefore take note of any announcements relevant to the price determination of the TMCLS Warrants which may be released or published after the Latest Practicable Date.

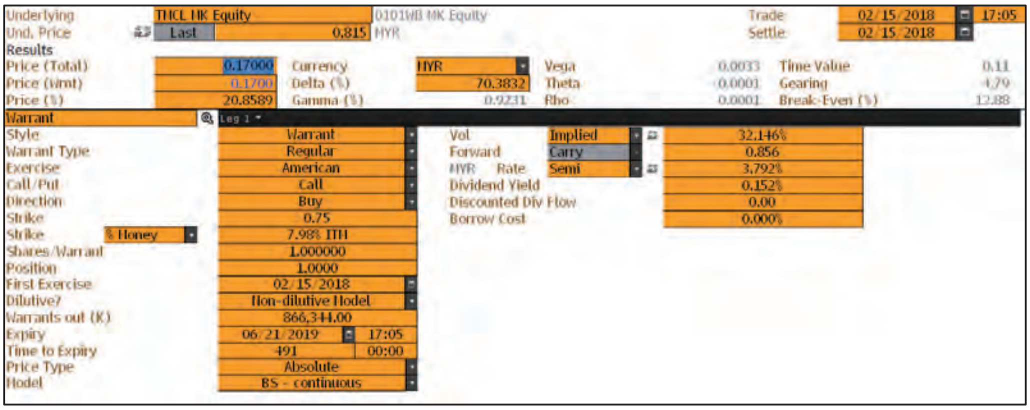
Theoretical value of the TMCLS Warrants

We have also considered the valuation of the TMCLS Warrants using the theoretical value of the TMCLS Warrants based on the Black-Scholes model, which is a common methodology used in the calculation of call warrants. The theoretical value of the warrants is a function of, *inter alia*, the exercise price *vis-à-vis* the current price of the underlying shares, the exercise period of the warrants, the nature of the call option whether it is an European call option (which is only exercisable on a predetermined exercise date) or an American call option (which can be exercised at any time prior to the expiry date of the warrant), the risk-free interest rate, the dividend yield of the shares and the price volatility of the underlying shares.

Based on the Black-Scholes model, the theoretical value of the TMCLS Warrants based on the market price of the TMCLS Shares as at the Latest Practicable Date and the expiry date of the TMCLS Warrants, is MYR0.170. This is close to the last transacted price of MYR0.165 of the TMCLS Warrants on 14 February 2018, being the trading day when the TMCLS Warrants were last transacted prior to the Latest Practicable Date.

It should be noted that the theoretical value of the call option using the Black-Scholes model may not reflect the actual value of the TMCLS Warrants transacted on Bursa Securities and there can be no assurance that an active trading of the TMCLS Warrants will trade at or close to the theoretical value as suggested by the Black-Scholes model.

The following chart as extracted from Bloomberg L.P. shows the theoretical value of the Warrants as at the Latest Practicable Date, based on the terms of the TMCLS Warrants:



8.3.3 Issue Price for the Consideration Shares

The Issue Price of S$0.075 for each Consideration Share represents a premium of 4.4% above the VWAP of S$0.0718 on 14 July 2017, being the last full market day when the Shares were transacted on the SGX-ST prior to the release of the Initial Announcement of the Term Sheet on 18 July 2017. Trading on the Shares was halted on 17 July 2017 (Monday) and 18 July 2017 (Tuesday). Trading on the Shares resumed on 19 July 2017.

In assessing the Issue Price, we have considered the following:

(a) historical trading performance of the Shares; and

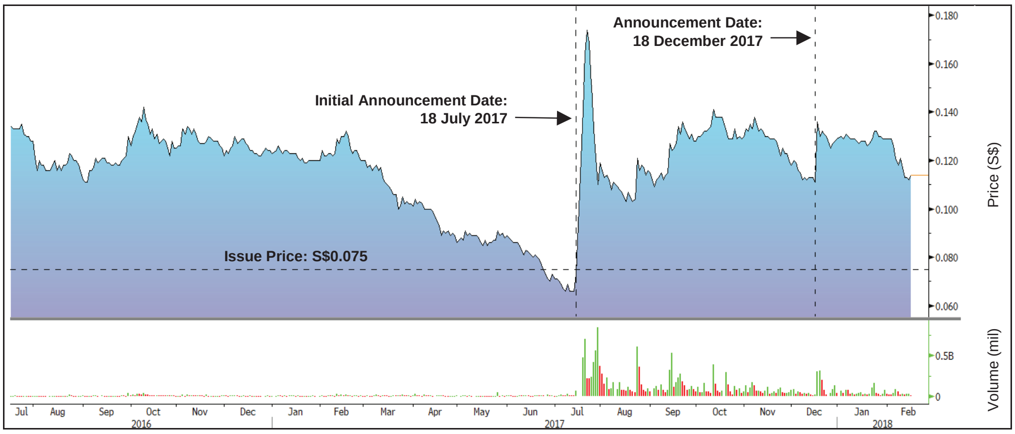
(b) the net asset backing per Share.

Historical trading performance of the Shares

The Company had first announced the non-binding Term Sheet on the broad terms of the Proposed Acquisition on 18 July 2017 and subsequently announced the final terms of the Proposed Acquisition upon the signing of the Acquisition Agreement on 18 December 2017. The trading on the Shares was halted for half a day in the morning of 18 December 2017 for the purpose of the Announcement.

We have therefore compared the Issue Price against the historical market price performance of the Shares and considered the historical trading volume of the Shares for the last 1-year period from 15 July 2016 to 14 July 2017 (Friday), being the trading day when the Shares were last transacted prior to the trading halt on 17 July 2017 (for the purpose of the Initial Announcement), and up to the Latest Practicable Date ("**Period Under Review**").

Price movement and trading volume of the Shares for the Period Under Review



Source: *Bloomberg L.P., based on the daily last transacted Share prices for the Period Under Review*

For the 1-year period prior to the Initial Announcement Date and based on the daily last transacted Share prices, the Shares had traded mostly above the Issue Price except for the period from end June 2017 and up to the Initial Announcement Date when the Shares were traded at below the Issue Price. The Shares had traded at a low of S$0.065 and a high of S$0.144, and were last transacted at S$0.073 on 14 July 2017 prior to the announcement of the Term Sheet on 18 July 2017.

After the Initial Announcement of the Term Sheet, the market had reacted positively to the Proposed Acquisition and the Shares had since traded well above the Issue Price to a high of S$0.198 on 20 July 2017.

After the Announcement of the Acquisition Agreement and up to the Latest Practicable Date, the Shares had traded between a low of S$0.112 and a high of S$0.136. As at the Latest Practicable Date, the Shares were last transacted at S$0.114 which represents a premium of 52.0% above the Issue Price of S$0.075. This could imply that the market had continued to maintain its optimism towards the Proposed Acquisition.

The trading liquidity on the Shares for the entire Period Under Review was generally low and the Shares were not regularly traded as there were many trading days when no trades were done on the Shares, except for the period following the Initial Announcement and the Announcement.

Market Statistics

In addition to the share price chart for the Period Under Review, we have tabulated below selected statistical information on the Share price performance and trading liquidity of the Shares for the Period Under Review.

Reference Period	Highest traded price (S$)	Lowest traded price (S$)	VWAP(1) (S$)	Premium / (Discount) of Issue Price over/(to) VWAP (%)	Number of traded days(2)	Average daily trading volume(3) ('000)	Average daily trading volume as a percentage of free float(4) (%)
Prior to the Initial Announcement Date							
Last 1 year	0.144	0.065	0.1109	(32.4)	250	7,017	0.74
Last 6 months	0.135	0.065	0.0973	(22.9)	125	7,897	0.83
Last 3 months	0.065	0.099	0.0802	(6.4)	62	8,184	0.86
Last 1 month	0.065	0.082	0.0715	4.9	21	11,806	1.37
14 July 2017 (being the trading day when the Shares were last transacted prior to the Initial Announcement Date)	0.074	0.067	0.0718	4.4	1	64,266	6.78
17 and 18 July 2017	← Trading halt →						
After the Initial Announcement and up to 15 December 2017							
19 July 2017 to 15 December 2017 (being the trading day when the Shares were last transacted prior to the Announcement Date	0.198	0.101	0.1283	(41.5)	105	135,968	14.35
After the release of the Announcement							
18 December 2017 to the Latest Practicable Date	0.136	0.112	0.1290	(41.9)	42	61,362	6.47
Latest Practicable Date	0.114	0.112	0.1133	(33.8)	1	12,522	1.32

Notes:

(1) The VWAP for the respective periods are calculated based on the daily VWAP turnover divided by VWAP volume as extracted from Bloomberg L.P.. Off market transactions are excluded from the calculation;

(2) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period;

(3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of market days (excluding market days with full day trading halts) during that period; and

(4) Free float refers to the Shares other than those directly and deemed held by the Directors and substantial Shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float, we have used the free float of approximately 947.7 million Shares based on the free float of 20% as disclosed in the Company's 2017 annual report.

We observed the following with regard to the Share price performance for the Period Under Review:

(a) Over the 1-year period prior to the Initial Announcement Date, the Shares have traded between a low of S$0.065 and a high of S$0.144. The Issue Price represents a premium of S$0.010 (or 15.4%) above the lowest transacted price and a discount of S$0.069 (or 47.9%) to the highest transacted prices of the Shares respectively;

(b) The Issue Price represents a discount of 32.4%, 22.9%, 6.4% to the VWAP of the Shares for the 1-year, 6-month, 3-month prior to the Initial Announcement Date and a premium of 4.9% above the VWAP of the Shares for the 1-month period prior to the Initial Announcement Date respectively;

(c) The Issue Price represents a premium of S$0.002 (or 2.7%) above the last transacted Share price of S$0.073 on 14 July 2017, being the market day when the Shares were last transacted on SGX-ST prior to the Initial Announcement Date;

(d) After the Initial Announcement Date on 19 July 2017 and up to 15 December 2017 (being the last trading day prior to the release of the Announcement), the Shares had traded between a low of S$0.101 and a high of S$0.198. The Issue Price represents a discount of S$0.026 (or 25.7%) and S$0.123 (or 62.1%) to the lowest and highest transacted prices of the Shares respectively; and

(e) From the Announcement Date on 18 December 2017 and up to the Latest Practicable Date, the Shares had continued to trade above the Issue Price. As at the Latest Practicable Date, the last transacted Share price was S$0.114.

We observed the following with regard to the trading liquidity of the Shares:

(i) During the one-year period prior to the Initial Announcement Date, trading volume on the Shares was low. The average daily trading volume of the Shares for the 1-year, 6-month, 3-month and 1-month periods prior to the Initial Announcement Date represented 0.74%, 0.83%, 0.86% and 1.24% of the free float of the Shares respectively;

(ii) For the period following the Initial Announcement Date and up to 15 December 2017 (being the last trading day prior to the release of the Announcement), the average daily trading volume on the Shares was higher at approximately 136.0 million Shares, representing 14.35% of the free float of the Shares; and

(iii) During the period following the release of the Announcement and up to the Latest Practicable Date, the average daily trading volume on the Shares was comparatively lower at approximately 61.4 million Shares, representing 6.47% of the free float of the Shares.

Net asset backing per Share

In assessing the reasonableness of the Issue Price, we have considered using the earnings approach which is commonly used for the valuation of a profitable company as a going concern. As analysed in Section 3.2.1 of this Letter, the Group has been reporting losses for FY31/12/2016 and for the T12M period, at the EBITDA level, net profit/(loss) level and on an adjusted net profit/(loss) basis. Hence, the assessment of the Issue Price of S$0.075 per Consideration Share based on the earnings approach would not be meaningful.

We have therefore assessed the Issue Price using the NAV based valuation approach, which shows the extent to which the value of each Share is backed by its net assets. The NAV based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings based valuation.

The NTA based valuation approach shows the extent to which the value of each Share is backed by the Group's net tangible assets. NTA is derived by deducting intangible assets from the NAV.

We have evaluated the implied P/NAV ratio of the Group based on the Issue Price and the Group's latest unaudited NAV per Share of S$0.0846 as at 30 September 2017. Based on the above, the implied P/NAV ratio is 0.89 times, that is, the Issue Price is at a discount of 11.3% to the NAV per Share.

The Group has significant goodwill and intangible assets. Its NTA per Share as at 30 September 2017 was lower at S$0.0642 compared to the NAV per Share as at 30 September 2017.

The implied P/NTA ratio of the Group based on the Issue Price of S$0.075 is 1.168 times, that is, the Issue Price is at a premium of 16.8% above the NTA per Share.

Additional evaluation on the Issue Price of the Consideration Shares vis-à-vis the current market Share price as at the Latest Practicable Date, Bonus Warrants Exercise Price and Piggyback Warrants Exercise Price

Post the Initial Announcement and the Announcement, the Share price had traded well above the Issue Price of the Consideration Shares. Viewed retrospectively, the Issue Price will then be seen to be issued at a significant discount to the current market Share price. It is pertinent to note that this is the result of the positive market reaction to the Proposed Acquisition and hence, it is not reasonable nor meaningful to evaluate the Issue Price of the Consideration Shares based on the market Share price post the Initial Announcement and the Announcement. There is also no certainty of the Share price maintaining at current levels if the Proposed Acquisition does not proceed to completion. Hence, in evaluating the reasonable of the Issue Price *vis-à-vis* the market Share price, we have based our assessement on the market trading price prior to the Initial Announcement when the trading of the Shares was undisturbed by the news of the Proposed Acquisition, as set out above under the caption "***Historical trading performance of the Shares***".

The Proposed Bonus Issue (comprising the Bonus Warrants and Piggyback Warrants) is to be offered to all existing Shareholders and as disclosed in Section 4.4 of this Letter, the Vendor and/or his nominees who will receive the Consideration Shares will not be entitled to the Proposed Bonus Issue in respect of such Consideration Shares. In addition, the Proposed Bonus Issue is subject to Shareholders' approval, except that the Proposed Bonus Issue will not proceed if the Proposed Acquisition is not completed. However, the Proposed Acquisition is not conditional upon the Proposed Bonus Issue being proceeded with.

If and when the Bonus Warrants and Piggyback Warrants are exercised, the Company will be able to raise significant new equity funding from its Shareholders at prices above the prevailing market prices at the time of the Initial Announcement. In comparison, if the Company were to carry out a rights issue of Shares to raise funds from its Shareholders, it would typically have to price the rights shares at a discount to the prevailing market share price which in turn would have a dilutive impact on the ex-rights market share price.

We understand that the Company had anticipated and was cautiously optimistic of the positive effect that the Proposed Acquisition may have on the Group in view of the rationale for the Proposed Acquisition, and hence, had, at the time of the Initial Announcement, proposed the Bonus Warrants Exercise Price of S$0.09 and the Piggyback Warrants Exercise Price of S$0.12, which are both at a significant premium above the then prevailing market Share price, and consequently the Issue Price of the Consideration Shares.

As borne out by the trading Share prices following the Initial Announcement and up to the Latest Practicable Date, the Shares were generally trading at above the Bonus Warrants Exercise Price of S$0.09 and the Piggyback Warrants Exercise Price of S$0.12 except for the last one week prior to the Latest Practicable Date when the Shares traded at slightly below the Piggyback Warrants Exercise Price. As at the Latest Practicable Date, the Bonus Warrants are "in-the-money" while the Piggyback Warrants are slightly "out-of-the-money". In addition, holders of these Warrants have the option at any time during the respective exercise periods to exercise their Warrants. The shorter one-year exercise period and lower exercise price of the Bonus Warrants, is, in our opinion, to encourage the holders to exercise the Bonus

Warrants, as these Bonus Warrants are relatively deep "in-the-money" based on current market Share price. The higher exercise price of the Piggyback Warrants, though closer to the current market Share price, have a longer exercise period of 4 years. Accordingly, these Piggyback Warrants have time value but will be issued free-of-charge upon the exercise of the Bonus Warrants.

Alternatively, holders of these Warrants could also trade their Warrants on the SGX-ST as application has been made by the Company for the listing of the Bonus Warrants and the Piggyback Warrants on the SGX-ST, subject to the minimum spread of warrantholders pursuant to Rule 826 of the Listing Manual.

Following from the above assessment, it is not reasonable to compare the Issue Price of the Consideration Shares against the Bonus Warrants Exercise Price and the Piggyback Warrants Exercise Price as the Proposed Bonus Issue is conditional upon the completion of the Proposed Acquisition and the values of these Warrants are driven by the successful completion of the Proposed Acquisition.

8.4 Dilution impact arising from the Proposed Acquisition and the Proposed Bonus Issue on the Independent Shareholders

As highlighted in Section 7 of this Letter, the Proposed Acquisition and the Proposed Whitewash Resolution are inter-conditional. The Proposed Bonus Issue is conditional upon the completion of the Proposed Acquisition. The completion of the Proposed Acquisition is, however, not conditional upon the Proposed Bonus Issue being proceeded with.

Sequentially, the issuance of the Consideration Shares will be completed first before the issue of the Bonus Warrants and the Piggyback Warrants will only be issued upon the exercise of the Bonus Warrants.

The Company has 4,738,417,411 issued Shares as at the Latest Practicable Date.

In connection with the Proposed Acquisition, the Company will be issuing 21,333,333,334 Consideration Shares, representing 450.2% of the existing number of issued Shares and 81.8% of the enlarged number of Shares immediately after the Proposed Acquisition.

Upon the completion of the Proposed Acquisition, 9,476,834,822 Bonus Warrants will be issued and potentially another 9,476,834,822 Piggyback Warrants will be issued upon the exercise of the Bonus Warrants.

As at the Latest Practicable Date, Peter Lim is effectively the single largest and controlling Shareholder, holding 2,149,438,093 Shares representing 45.36% of the Company's total number of Shares.

For clarity, we have shown in the dilution table below, the separate shareholding interests of Peter Lim and his associates, TMJ (as a substantial Shareholder) and his associates, and the rest of the Shareholders (which we have referred to as Independent Shareholders).

Upon the completion of the Proposed Acquisition, Peter Lim and his associates will own more than 90% of the enlarged issued number of Shares. As at the Latest Practicable Date, the Company and Peter Lim had not finalized the details of the Compliance Placement which, in turn, will have an impact on the shareholding interest of Peter Lim and his associates in the Company.

For the purpose of our analysis of the dilution impact on the Independent Shareholders, we have therefore not considered the effects of the Compliance Placement.

Overall, based on the dilution table below on the assumptions of the various scenarios, Peter Lim and his associates will remain as the largest controlling Shareholder of the Company.

On the assumption that the Proposed Whitewash Resolution is passed by the Independent Shareholders at the EGM, the various scenarios are as follows:

Scenario	Description
Scenario A – Maximum Dilution Scenario	(i) Issuance of 21,333,333,334 Shares for the Proposed Acquisition; and (ii) None of the Bonus Warrants and Piggyback Warrants are exercised into New Shares. Number of enlarged Shares = 4,738,417,411 + 21,333,333,334 = 26,071,750,745 Shares
Scenario B	(i) Issuance of 21,333,333,334 Shares for the Proposed Acquisition; (ii) All the Bonus Warrants are exercised into New Shares; and (iii) None of the Piggyback Warrants are exercised into New Shares. Number of enlarged Shares = 26,071,750,745 + 9,476,834,822 = 35,548,585,567 Shares
Scenario C – Minimum Dilution Scenario	(i) Issuance of 21,333,333,334 Shares for the Proposed Acquisition; and (ii) All the Bonus Warrants and Piggyback Warrants are exercised into New Shares. Number of enlarged Shares = 35,548,585,567 + 9,476,834,822 = 45,025,420,389 Shares

The dilution impact on Peter Lim and his associates, the substantial Shareholder, TMJ and his associates, and the Independent Shareholders under the above scenarios is illustrated in the table below:

	Existing shareholding as at the Latest Practicable Date		Scenario A		Scenario B		Scenario C	
	Shares	%	Shares	%	Shares	%	Shares	%
Peter Lim and his associates	2,149,438,093	45.4	23,482,771,427	90.1	27,781,647,613	78.2	32,080,523,799	71.2
TMJ and his associates	559,133,422	11.8	559,133,422	2.1	1,677,400,266	4.7	2,795,667,110	6.2
Independent Shareholders	2,029,845,896	42.8	2,029,845,896	7.8	6,089,537,688	17.1	10,149,229,480	22.6
Total	**4,738,417,411**	**100.0**	**26,071,750,745**	**100.0**	**35,548,585,567**	**100.0**	**45,025,420,389**	**100.0**

As disclosed in Section 7 of this Letter, Peter Lim and his associates are seeking the Whitewash Waiver as the balance between the shareholding interests of Peter Lim and TMJ will change significantly following the issuance of the Consideration Shares to Peter Lim and his associates, notwithstanding that Peter Lim, TMJ and their associates hold, in aggregate, more than 50% of the shareholding interest in the Company prior to the Proposed Acquisition. Hence, the dilution table above shows the separate shareholding interests of Peter Lim and his associates, and that of TMJ and his associates.

Following the SIC ruling that TMJ is a concert party to Peter Lim, TMJ and his associates are not permitted to vote on the Proposed Whitewash Resolution at the EGM. Hence, the remaining Shareholders who are independent of Peter Lim, TMJ and their associates are eligible to vote on the Proposed Whitewash Resolution.

Based on the above scenarios, we note the following:

(a) Scenario A (Maximum Dilution Scenario)

Under this scenario, upon completion of the Proposed Acquisition, and assuming no Bonus Warrants and Piggyback Warrants are exercised, Peter Lim and his associates will have their beneficial shareholdings increase from 45.36% to 90.07%. TMJ and his associates will have their aggregate shareholding interests diluted significantly from 11.80% to 2.14% and the Independent Shareholders will have their aggregate shareholding interests diluted significantly from 42.84% to 7.79%. However, this is not a sustainable position as the Company will be required to carry out a Compliance Placement to satisfy the public float requirement under the Listing Manual.

As disclosed in Section 4.4 of this Letter, the Consideration Shares are not entitled to the Bonus Warrants and Piggyback Warrants. On the assumption where only Peter Lim and his associates exercise all their Bonus Warrants and Piggyback Warrants and no other Shareholders exercise their Bonus Warrants and Piggyback Warrants, Peter Lim and his associates will have their beneficial shareholdings increase further from 90.07% to 92.53% of the enlarged number of Shares.

(b) Scenario B

Under this scenario, following the completion of the Proposed Acquisition, and assuming all the Bonus Warrants are exercised into New Shares but none of the Piggyback Warrants are exercised into New Shares, Peter Lim and his associates will have their beneficial shareholdings subsequently diluted from 90.07% to 78.15%. TMJ and his associates will have their aggregate shareholding interests increase from 2.14% to 4.72% and the Independent Shareholders' aggregate shareholding interests will increase from 7.79% to 17.13%. The dilution impact on Peter Lim and his associates is buffered to some extent by the Bonus Warrants which they are also entitled to, based on their existing Shares, save for the Consideration Shares which are not entitled to the Bonus Warrants and Piggyback Warrants.

(c) Scenario C (Minimum Dilution Scenario)

Under this scenario, following the completion of the Proposed Acquisition, and assuming all the Bonus Warrants and Piggyback Warrants are exercised into New Shares, Peter Lim and his associates will have their beneficial shareholdings diluted further from 78.15% to 71.25%. TMJ and his associates will have their aggregate shareholding interests increase from 4.72% to 6.21% and the Independent Shareholders' aggregate shareholding interests will increase from 17.13% to 22.54%. For the same reason as (b) above, the shareholding interest of Peter Lim and his associates will be buffered to some extent by their entitled Piggyback Warrants upon the exercise of their Bonus Warrants.

The Proposed Whitewash Resolution is in connection with the Proposed Acquisition and hence, the effects of Scenario B and Scenario C are not relevant in the context of the Proposed Whitewash Resolution. However, as the Proposed Bonus Issue is conditional upon the completion of the Proposed Acquisition and all Shareholders are eligible for and can vote on the Proposed Bonus Issue (save for the Consideration Shares), we have therefore analysed the dilution effects under these scenarios for completeness. The Proposed Bonus Issue is, in a way, an incentive for Independent Shareholders to vote in favour of the Proposed Acquisition and the Proposed Whitewash Resolution.

Independent Shareholders should note that the Proposed Whitewash Resolution, if approved at the forthcoming EGM, will waive the requirement of Peter Lim and his concert parties, from making the Mandatory Offer for all the remaining Shares at the highest price paid or agreed to be paid by Peter Lim and his concert parties in the last six months preceding the commencement of the offer. As Peter Lim and his concert parties had not acquired any Shares in the last six months, the relevant offer price to be made by Peter Lim and his concert parties, if a hypothetical Mandatory Offer is to be made, will be at

S$0.075 for each Share, which is below the current market share price of S$0.114 as at the Latest Practicable Date.

With the Proposed Acquisition, Peter Lim and his associates would have acquired over 49% of the enlarged issued Shares after the Proposed Acquisition, and they can thereafter be free to acquire further Shares, including the New Shares upon the exercise of the Bonus Warrants and the Piggyback Warrants, without incurring any Mandatory Offer obligations.

8.5 Other relevant considerations

8.5.1 Financial effects of the Proposed Acquisition on the Group

Details on the financial effects of the Proposed Acquisition are set out in Section 7 of the Circular and are based on, *inter alia*, (a) the unaudited financial information of the Target Group for the 12 months ended 31 December 2016 and the nine-month period ended 30 September 2017; (b) the audited financial information of the Group for FY31/12/2016 and the unaudited financial information of the Group for 9M2017; and (c) application of the pooling of interests method to effect the Proposed Acquisition. The Company also illustrates the financial effects of the Proposed Bonus Issue following the completion of the Proposed Acquisition in Section 7 of the Circular.

The financial effects are for illustrative purposes only and do not purport to reflect the actual financial effects or the future financial performance of the Company and the Group after the completion of, *inter alia*, the Proposed Acquisition and the Proposed Bonus Issue.

In summary, we note that the Proposed Acquisition and the Proposed Bonus Issue would result in the following financial effects of the Group:

(i) Share Capital

Upon completion of the Proposed Acquisition, 21.3 billion Consideration Shares will be issued by the Company thereby increasing the number of issued Shares substantially from 4.7 billion Shares to 26.1 billion Shares. Accordingly, the issued share capital base of the Company will also increase significantly. The issued share capital of the Company will increase further upon the exercise of the Bonus Warrants and Piggyback Warrants over the next one year and four years respectively.

Based on the last transacted Share price of S$0.114 and the outstanding number of Shares as at the Latest Practicable Date, the market capitalisation of the Company was approximately S$540.2 million. Purely as an illustration, following the Proposed Acquisition and the exercise of all the Bonus Warrants and Piggyback Warrants, the implied market capitalisation of the Company would increase significantly based on the above last transacted Share price and at the Issue Price of S$0.075 as follows:

	Number of enlarged Shares ('billion)	**Implied market capitalisation of the Company based on the market Share price of S$0.114 (S$'million)**	**Implied market capitalisation of the Company based on the Issue Price of S$0.075 (S$'million)**
As at the Latest Practicable Date	4.74	540	355
After the Proposed Acquisition (21.33 billion Consideration Shares)	26.07	2,972	1,955
After the exercise of Bonus Warrants (9.48 billion Shares)	35.55	4,053	2,666

	Number of enlarged Shares ('billion)	Implied market capitalisation of the Company based on the market Share price of S$0.114 (S$'million)	Implied market capitalisation of the Company based on the Issue Price of S$0.075 (S$'million)
After the exercise of Piggyback Warrants (9.48 billion Shares)	45.03	5,133	3,377

(ii) NTA of the Group

Based on the latest unaudited financial information of the Group for 9M2017, the Group's NAV was S$400.8 million. After deducting goodwill and intangible assets of S$96.4 million, the Group's NTA was S$304.4 million.

Based on the unaudited financial position of the Target Group as at 30 September 2017, the NAV of the Target Group was S$252.0 million. The Target Group has significant intangible assets of S$485.8 million. The NTA of the Target Group would be a negative position of S$233.8 million after deducting the intangible assets.

For the purpose of the disclosure in the Circular, the Company had attached in Appendix E of the Circular, the unaudited pro forma combined financial information of the Enlarged Group for FY31/12/2016 and 9M2017 ("**Pro Forma Financial Information**"), taking into consideration the adjustments arising from, *inter alia*, the Restructuring Exercise and the Proposed Acquisition.

The Proposed Acquisition is being accounted for by applying the pooling of interest method as the Proposed Acquisition is considered to be a business combination involving entities under common control. Accordingly, the assets and liabilities of the combining entities will be included in the pro forma financial statements at their carrying amounts. No goodwill is recognised as a result of such combination and the difference between the consideration paid and the paid up capital of the Target Company will be recorded as "Merger Reserve".

Based on the Pro Forma Financial Information of the Enlarged Group as at 30 September 2017, the Proposed Acquisition will give rise to a negative "Merger Reserve" of S$2.33 billion based on the last transacted Share price of S$0.114 as at 15 February 2018. The NAV attributable to equity holders of the Company is S$748.04 million as at 30 September 2017. After deducting intangible assets and goodwill of S$582.27 million, the NTA attributable to equity holders of the Company is S$165.78 million.

The Group's NTA will increase further upon the exercise of the Bonus Warrants and Piggyback Warrants into New Shares, if any.

(iii) Earnings of the Group

The Proposed Acquisition is expected to contribute to the earnings of the Group as the Target Group is profitable whereas the Group is presently loss-making.

(iv) Gearing

The Proposed Acquisition of the 100% equity interest of the Target Company is to be funded by new equity of the Company. Hence, the Group does not have to leverage itself to fund the Proposed Acquisition although the Target Group is expected to have total bank borrowings of approximately S$450 million at Completion.

The acquisition of the Sale Warrants is expected to be funded from a combination of loans and internal resources. Based on the illustrative 1-month VWAP of the TMCLS

Warrants of MYR0.1659 as set out in Section 4(b) of this Letter, the cash consideration for the 597.3 million TMCLS Warrants is approximately S$33.4 million. The gearing of the Group will increase to the extent that bank loans are utilized to fund the above purchase consideration.

As the Proposed Acquisition is being accounted for by applying the pooling of interest method, in view of the recognition of the significant amount of negative Merger Reserve, overall, the gearing ratio of the Group will increase following the completion of the Proposed Acquisition.

The gearing ratio may improve upon the exercise of the Bonus Warrants and Piggyback Warrants into New Shares.

8.5.2 Peter Lim and his associates remain as the major Shareholder, moratorium by Peter Lim and his associates, and Compliance Placement

As at the Latest Practicable Date, Peter Lim (and his associates) is the single largest Shareholder of the Company, holding 45.36% shareholding interest in the Company. After the Completion of the Proposed Acquisition, Peter Lim (and his associates) will acquire statutory control of the Company of more than 50% shareholding interest of the Company.

Immediately following the completion of the Proposed Acquisition, Peter Lim and his associates will own slightly more than 90% of the enlarged number of Shares. Accordingly, it is the intention of Peter Lim and his associates to carry out a Compliance Placement (which will comprise the Sale of Vendor Shares) in order for the Company to meet the minimum public float requirement under Rule 723 of the Listing Manual. Accordingly, the shareholding interest of Peter Lim and his associates in the Company may be reduced.

In the event where Peter Lim and his associates continue to hold 75% or more of the enlarged number of Shares, Peter Lim and his associates will be able to pass all ordinary and special resolutions of the Company, except where such resolutions pertain to Interested Person Transactions where Peter Lim and its associates are deemed as Interested Persons in the proposed transactions and have to abstain from voting on those proposed transactions.

The Proposed Acquisition, being a “very substantial acquisition”, is subject to the moratorium requirements of the Listing Manual. Accordingly, save for the purpose of the Compliance Placement, Peter Lim and his associates will be subject to the moratorium period as required by the SGX-ST in respect of their existing Shares, Consideration Shares, the Bonus Warrants, Piggyback Warrants and New Shares arising from the exercise of the Bonus Warrants and Piggyback Warrants.

Shareholders should take note of any announcements and updates on the above which may be released by the Company after the Latest Practicable Date.

8.5.3 Inter-conditionality of the Proposed Acquisition, the Proposed Whitewash Resolution and the Proposed Bonus Issue

The passing of the ordinary resolutions for the Proposed Acquisition and the Proposed Whitewash Resolution are inter-conditional upon each other. If any of these resolutions tabled is not passed, the Proposed Acquisition will not be completed.

The Proposed Bonus Issue is conditional upon the completion of the Proposed Acquisition. The Proposed Acquisition is, however, not conditional upon the Proposed Bonus Issue being proceeded with.

Hence, Shareholders who are interested for the Proposed Bonus Issue to be proceeded with, would be encouraged to vote in favour of the Proposed Acquisition and the Proposed Whitewash Resolution. As the Proposed Bonus Issue is not an Interested Person Transaction, all Shareholders will be eligible to vote in respect of their shareholdings in the Company.

It should also be noted that the Vendor and/or his nominees who will receive the Consideration Shares will not be entitled to the Proposed Bonus Issue in respect of the Consideration Shares.

The Proposed Bonus Issue is also quite significant on the basis of 2 Bonus Warrants for every existing Share and 1 Piggyback Warrant for every Bonus Warrant exercised. On a fully exercised basis, the Company will be issuing 4 New Shares for every existing Share held.

The exercise period for the Bonus Warrants is one year from the date of issue and the exercise period for the Piggyback Warrants is 4 years from the date of issue of the Bonus Warrants (and not 4 years from the date of issue of the Piggyback Warrants).

As at the Latest Practicable Date, based on the current market Share price of S$0.114, the Bonus Warrants are "in-the-money" based on its exercise price of S$0.09 while the Piggyback Warrants are slightly "out-of-the-money" based on its exercise price of S$0.12.

In addition, the Company has proposed other resolutions (namely the appointment of new Directors, adoption of the new constitution, change of name and share issue mandate) for Shareholders' approval at the EGM. These resolutions, save for the adoption of the new constitution, are conditional upon the Proposed Acquisition being approved by Shareholders at the EGM. In addition, the resolution for the change of name is contingent upon the completion of the Proposed Acquisition.

8.5.4 Risk factors relating to the Proposed Acquisition

The Company has identified a list of material risk factors relating to the Enlarged Group, the Target Group and the Shares, the Bonus Warrants and Piggyback Warrants and/or the New Shares. The full text of the risk factors can be found in the section entitled "Risk Factors" in the Circular.

In summary, the material risk factors relating to the Target Group are as follows:

(a) The Target Group's business relies solely on the operations of its principal subsidiaries;

(b) The business of the Target Group is dependent on obtaining and renewing of requisite approvals, licences and/or permits;

(c) The Target Group's expansion plan is subject to inherent operational and regulatory risks;

(d) The Target Group's business and facilities are concentrated in Singapore and Malaysia, which makes it sensitive to regulatory, economic, environmental and competitive conditions and changes in those countries;

(e) The Target Group is highly dependent on its doctors, nurses and other healthcare professionals;

(f) The Target Group may not be able to successfully compete for patients with other hospitals and healthcare providers across the countries in which it operates;

(g) The Target Group is dependent on certain key management;

(h) The Target Group's ability to maintain or renew its licences or certificates of registration or apply for new licences or certificates with respect to its operations in Malaysia is subject to the policies of the Ministry of Health, Malaysia on foreign equity participation in private healthcare facilities in Malaysia;

(i) If the Target Group does not receive payment on a timely basis from its patients, the Target Group's results of operations could be adversely affected;

(j) Compliance with applicable safety, health, environmental and other governmental regulations may be costly and adversely affect the Target Group's competitive position and results of operations;

(k) The Target Group has been and could become the subject of or perceived to be associated with governmental investigations, claims and litigation, as well as medical malpractice litigation brought by patients which may affect the Target Group's brand names and reputation;

(l) Rapid technological advances, technological failures and other challenges related to medical equipment and information technology systems could adversely affect the Target Group's business and increase its capital expenditure;

(m) Increase in operating costs, namely lease rental rates, and risk of relocation due to the inability to renew the existing leases may cause disruption to business operations of the Target Group;

(n) The Target Group's insurance coverage and indemnities may not cover all damages and losses; and

(o) The value of the Target Group's intangible assets and costs of investment may become impaired.

8.5.5 Reconstitution of the Board and appointment of new Directors

The Company is seeking Shareholders' approval for the appointment of the following new Directors to its Board after Completion, namely:

- Mr Quek Hong Sheng Roy as an Executive Director; and
- Mr Heng Kim Chuan Freddie as a Non-Executive Non-Independent Director.

Mr Quek Hong Sheng Roy is the executive director and chairman of Thomson Medical and executive director and group chief executive officer of TMCLS.

Mr Heng Kim Chuan Freddie is the sole director of the Target Company and a non-executive director of Thomson Medical and TMCLS.

Dr Lam Lee G will step down as the Independent Director of the Company upon Completion.

The reconstituted Board will comprise the following Directors:

Mr Ng Ser Miang – Chairman and Non-Executive Independent Director
Ms Chan Lay Hoon – Deputy Chairman and Non-Executive Non-Independent Director
Mr Tan Wee Tuck – Executive Director and Chief Executive Officer, Real Estate
Mr Quek Hong Sheng Roy – Executive Director and Chief Executive Officer, Healthcare
Mr Lai Huen Poh – Executive Director and Senior Managing Director, RSP
Mr Heng Kim Chuan Freddie – Non-Executive Non-Independent Director
Mr Gary Ho Kuat Fong - Independent Director
Mr Ong Pang Liang - Independent Director

9. OUR OPINION

In arriving at our opinion in respect of the Proposed Acquisition as an Interested Person Transaction and the Whitewash Resolution in the context of the Proposed Acquisition, we have reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment:

(a) rationale for the Proposed Acquisition;

(b) assessment of the financial terms of the Proposed Acquisition;

(c) assessment of the Issue Price for the Consideration Shares;

(d) dilution impact arising from the Proposed Acquisition on the Independent Shareholders; and

(e) other relevant considerations.

Overall, based on our analysis and after having considered carefully the information available to us, we are of the opinion that the Proposed Acquisition as an Interested Person Transaction is on normal commercial terms and is not prejudicial to the interests of the Company and its Minority Shareholders.

In addition, we are of the view that the terms of the Proposed Acquisition are fair and reasonable, and the Whitewash Resolution, when considered in the context of the Proposed Acquisition, is not prejudicial to the interests of the Independent Shareholders. We therefore advise the Recommending Directors to recommend to the Independent Shareholders to vote in favour of the Whitewash Resolution.

Our opinion, as disclosed in this letter, is based on publicly available information and information provided by the Directors and Management and does not reflect any projections of future financial performance of the Company and/or the Group after the completion of the Proposed Acquisition. In addition, our opinion is based on the economic and market conditions prevailing as at the Latest Practicable Date and is solely confined to our views on the Proposed Acquisition as an Interested Person Transaction and the Whitewash Resolution in the context of the Proposed Acquisition.

This Letter is required under Rule 921(4) of the Listing Manual and also addressed to the Recommending Directors for their benefit and for the purpose of their consideration of the Proposed Acquisition as an Interested Person Transaction and the Whitewash Resolution in the context of the Proposed Acquisition. The recommendation to be made by them to the Minority Shareholders and Independent Shareholders, as the case may be, shall remain their responsibility. Whilst a copy of this Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose, other than for the purpose of the EGM, and for the purpose of the Proposed Acquisition as an Interested Person Transaction and the Whitewash Resolution in the context of the Proposed Acquisition, at any time and in any manner without the prior written consent of Provenance Capital in each specific case.

Our opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

The Board of Directors
Rowsley Ltd.

18 December 2017

1 Kallang Junction #03-01
Singapore 339263

Independent Valuation Summary – Sasteria Pte Ltd and its subsidiaries

In relation to the proposed acquisition of 100% of the issued and paid-up share capital of Sasteria Pte Ltd.

Dear Sirs:

1. Introduction

BDO Advisory Pte Ltd has been engaged by Rowsley Ltd's ("**Rowsley**" or the "**Company**") Board of Directors to furnish a valuation of the fair value of Sasteria Pte Ltd ("**Sasteria**") and its subsidiaries (collectively "**Sasteria Group**") as at 31 August 2017. We are a global network of firms in 162 countries with more than 73,000 people working out of 1,500 offices to deliver quality assurance, tax and advisory services. In the valuation space, BDO Singapore's Advisory Services meets regional and local business' valuation needs with provision of services including valuing businesses, joint ventures and equity interests, and specific assets such as intangible assets like trademarks, customer relationships, and financial instruments. In the recent years, our valuation professionals (accredited with the Institute of Valuers and Appraisers of Singapore ("IVAS")) have worked on a range of business requirements, including:

- Restructuring, mergers, acquisitions and divestments
- Business planning and decision support
- Support for tax planning and advisory
- Expert witness for litigation support
- Financial reporting

This letter is a summary of the information contained in our Independent Valuation Report dated 18 December 2017 (the "**Summary**"). Accordingly, it should be read in conjunction with the full text of the said Independent Valuation Report (the "**Report**").

The information contained in the Report pertains to our appointment by the Board of Directors of the Company to perform the necessary professional services relating to the valuation of Sasteria Group. The information is furnished in connection with the proposed acquisition by the Company of the entire issued and paid-up share capital of Sasteria Pte Ltd, which owns 100% of Thomson Medical Pte Ltd and its subsidiaries ("**Thomson**") and is to own 70.36% of TMC Life Sciences Bhd and its subsidiaries ("**TMCLS**") ("**Proposed Sasteria Acquisition**"). Our valuation of the Proposed Sasteria Acquisition excludes the 597,319,140 TMCLS Warrants which the Company will acquire for cash as part of the Proposed Sasteria Acquisition.

2. Terms of reference

We are to provide an independent view of the fair value of Sasteria as at 31 August 2017 (the "**Valuation Date**").

We are instructed by Rowsley, that as of Valuation Date, Sasteria owns 100% of Thomson and is to own 70.36% of TMCLS through Sasteria (M) Pte Ltd ("**Sasteria (M)**"), an investment holding company. We are also instructed that, Sasteria and Sasteria (M) are investment holding companies that do not hold other significant assets.

Our estimation of the fair value of Sasteria Group is to be based on Thomson and TMCLS's existing operations and likely future expansion plans only, and does not take into account any fundamentally different business that the management team of Sasteria (the "**Sasteria Management**") may pursue in the foreseeable future.

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 Rowsley and or Sasteria and made available to us, we have considered and where appropriate, relied on such advice.

We are not expressing an opinion on the commercial merits of the Proposed Sasteria Acquisition and accordingly, this Summary and the Report do not purport to contain all the information that may be necessary to fully evaluate the commercial or investment merit of the Proposed Sasteria Acquisition by the shareholders of Rowsley.

In addition, this Summary and the Report should not be construed as a provision of any investment advice to the prospective investors of Rowsley and cannot be relied upon for making investment decisions and we expressly disclaim a duty of care or liability to any third party who is shown or gains access to this Summary or the Report.

3. Use of this Summary and our Report

This Summary and the Report are addressed to, and are intended for the use of the Directors of Rowsley for the purpose as set out in the Report. Accordingly neither the Report nor this Summary may be used or relied upon by, nor confer any benefit to, any other person (including without limitation, the shareholders of Rowsley and the prospective investors of Rowsley). Any recommendation made by the Directors to the shareholders of Rowsley shall remain the responsibility of the Directors.

4. Reliance on information and representation

The information used by us in preparing the Report has been obtained primarily from Sasteria Management and other sources as indicated in the Report. These include:

a) Information obtained from discussion with Sasteria Management;
b) Audited Financial Statements of Sasteria Group from FY2014 to FY2017;
c) Audited Financial Statements of Thomson from FY2014 to FY2017;
d) Audited Financial Statements of TMCLS from FY2014 to FY2016 and Unaudited Financial Statements for FY2017;
e) Financial forecast from FY2018 to FY2026 for Thomson;
f) Financial forecast from FY2018 to FY2030 for TMCLS;
g) Financial forecast from FY2022 to FY2031 for TMCLS's Thomson Iskandar Medical Hub;

h) Information on economic outlook, industry outlook, competition and comparables of the healthcare business provided by Sasteria Management and obtained from other sources;
i) Financial data obtained from Bloomberg Professional Service; and
j) All other publicly available information.

While our work has involved analysis of above mentioned operational and financial information and accounting records, it has not included an audit in accordance with generally accepted auditing standards. Accordingly we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us.

The management of Sasteria has reviewed the information contained in our Report and has confirmed that the information provided to us is accurate and that no significant information essential to the Report has been withheld.

5. Valuation methodology and summary results

The standard of value that we have adopted is the fair value defined in International Financial Reporting Standards (IFRS 13) as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

In arriving at the valuation results, we have adopted the income approach, using the discounted cash flow ("**DCF**") methodology, as the primary valuation approach to value Sasteria Group for the following reasons:

- The value proposition of the operating businesses are primarily income driven underpinned by the strong growth potential of the healthcare industry. The DCF methodology will better reflect a valuation that is based on income derived from future plans backed by the expected healthcare operations growth in this region.
- The general insufficiency of information available on precedent transactions completed in the recent past, of businesses with similar characteristics to Sasteria Group.

The projected cash flows are primarily those from revenue streams of the hospitals (and their clinic network) listed below (existing or being developed), that Sasteria is managing and will be managing:-

a. 'Thomson Medical Centre', in Singapore
b. 'Tropicana Medical Centre', in Malaysia, and
c. 'Thomson Iskandar Medical Hub', in Malaysia

This includes the key components of Sasteria Group's expansion plan as follows:

- Thomson Medical Centre will build on its market leadership in obstetrics and gynaecology segments and continue expansion into woman and wellness segments ie. other specialist medical practices such as oncology, cardiology, etc.
- Expansion at its existing Tropicana Medical Centre will increase its current 205 beds to approximately 600 beds. The new beds will be opened in planned phases with target completion by end FY2020.

- Thomson Iskandar Medical Hub will commence construction in 2018 with targeted completion in 2021. The new 500 beds facility will accordingly open in phases with target completion by end FY2021.

The projected cash flows of each revenue stream are discounted using appropriate discount rates to derive the likely value range of the equity value of Sasteria through sensitivity analysis. The perpetuity growth method is used to derive the value of free cash flows to determine the terminal value ie. the value that continues into perpetuity in the future.

The Base Case valuation that we have derived of S$1.665 billion, has ascribed an equity value of S$1,199 million for Thomson Medical Centre, S$377 million for Tropicana Medical Centre (including its expansion) and S$89 million for the Thomson Iskandar Medical Hub.

Using the Base Case valuation, possible variations to Sasteria Group's expansion plan were factored into our sensitivity analysis to arrive at Low Case of S$1.539 billion (S$1.665 billion less S$0.126 billion) and High Case of S$1.777 billion (S$1.665 billion plus S$0.112 million).

The Low Case has taken into consideration sensitivity factors such as the delay in construction by 1 year, and reduction in occupancy rate by 4% ie. rate in which new beds will be filled up, which could be caused by possible non-availability of good doctors that fit into the hospital's culture, or a reduction in demand for healthcare services.

The High Case has taken into consideration sensitivity factors such as increase in occupancy rate by 4%, and reduction of effective tax rate to about 50% of headline tax rate for Thomson Iskandar Medical Hub, if the tax incentives and utilisation of accumulated losses are factored in.

In summary, the range of equity value of the Sasteria Group as of Valuation Date is S$1.539 billion (Low Case), S$1.665 billion (Base Case) and S$1.777 billion (High Case).

We note that the Base Case valuation of S$1.665 billion is approximately at the mid-point of the Low Case and High Case valuation. The purchase consideration of S$1.6 billion for Sasteria Group is at a slight discount of approximately 3.9% to the Base Case equity value of S$1.665 billion.

For triangulation purpose, we used the relative valuation method based on comparable companies analysis to cross-check the range of the derived valuation results.

As indicated above, the projection of cash flows used in the DCF analysis have been based upon certain identified assumptions. Some of these assumptions inevitably will not materialise, and unanticipated events may occur; therefore, the actual results achieved during the projection period will vary from the projection, and the variations may be substantial. Consequently, they cannot be relied upon to the same extent as information derived from audited accounts for completed accounting periods. For these reasons we express no opinion as to how closely the actual results achieved will correspond to those projected.

We have set out in the Report, the key assumptions as well as the risk factors, which may materially affect the valuation of Sasteria. These include:

i. Sasteria Group's business will continue as a going concern without any significant changes in business structure; in order that the future core business operations of Sasteria Group will not be adversely affected by management change;
ii. The information provided to us by Sasteria Management reflects the best estimate of the financial results of Sasteria Group and these have not been subjected to audit or reviews;
iii. Sasteria Group has legal title to all assets included in the financial information furnished by Sasteria Management. All assets, which are physically in existence, are in good working condition. There are no risks that any of these assets are subject to compulsory acquisition by any third party or government body;
iv. Related party transactions are carried out on an arm's length basis and will continue to be for the foreseeable future even if there are any changes in ownership; and
v. The financial effects of any known significant events subsequent to the year ended FY2017 have been factored into financial forecasts.

6. Conclusion

As detailed in the Report, the derived equity value of Sasteria is in the range of S$1.539 billion to S$1.777 billion as at Valuation Date.

We assume no responsibility and are not required to update, revise or reaffirm our conclusion of value to reflect events or developments subsequent to the date of the Report and this Summary.

Yours faithfully,
For and on behalf of
BDO Advisory Pte Ltd

Cheng Soon Keong
Director, Advisory

KPMG

Rowsley Ltd. and its subsidiaries
Registration Number: 199908381D

Annual Report
Year ended 31 December 2014

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Directors' report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2014.

Directors

The directors in office at the date of this report are as follows:

Chiang Chie Foo	(Non-Executive Non-Independent Chairman)
Lock Wai Han	(Executive Director and Group Chief Executive Officer)
Tan Wee Tuck	(Executive Director and Group Chief Financial Officer)
Lai Huen Poh	
Ho Kiam Kheong	
Dr Wong Chiang Yin	
Dr Lam Lee G	
Claire Lee Suk Leng	
Chua Hwee Song	
Gary Ho Kuat Foong	(Appointed with effect from 1 March 2015)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants or share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the financial year	Holdings at end of the financial year	Holdings as at 21/1/2015
Rowsley Ltd.			
Chiang Chie Foo*			
- ordinary shares	20,000	20,000	20,000
- warrants	40,000	40,000	40,000
Lai Huen Poh**			
- ordinary shares	109,375,000	109,375,000	109,375,000

* Chiang Chie Foo is deemed interested in the 20,000 ordinary shares and 40,000 warrants held by his spouse.

** These shares are held through Raffles Nominees (Pte) Ltd. Pursuant to a sale and purchase agreement dated 3 February 2013, up to an additional 46,875,000 shares in the Company will be issued and allotted to Lai Huen Poh if certain earn-out targets are achieved.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or of related corporations either at the beginning of the financial year, or at the end of the financial year.

Except as disclosed in this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 24 to the financial statements, since the end of the last financial period, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

The Rowsley Group Share Option Scheme (the "Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 26 June 2012. The Scheme is administered by a committee which consists of directors of the Company.

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee ("ARMC") during the year and at the date of this report are:

- Dr Lam Lee G (Chairman) (Appointed with effect from 10 November 2014)
- Yoon Soon Seng (Chairman) (Resigned with effect from 10 November 2014)
- Dr Wong Chiang Yin
- Claire Lee Suk Leng
- Chua Hwee Song
- Gary Ho Kuat Foong (Appointed with effect from 1 March 2015)

The ARMC performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

In performing those functions, the ARMC:

(i) reviews external audit functions, including:

- the audit plans of the Group's external auditors;
- the external auditors' reports;
- the external auditors' management letter and the response from the Company's management;
- the co-operation/assistance given by the Group's officers to the external auditors;
- the scope and results of the audits and their cost effectiveness;
- reviewing with the external auditors the financial statements of the Group before submission to the Board; and
- reviewing the external auditors' evaluation of the system of internal accounting controls and risk management;

(ii) sets selection criteria for the appointment of external auditors, annually reviews the performance of external auditors and makes recommendations for their re-appointment or appointment as the case may be, reviews the objectivity and independence of the external auditors annually and reviews the rotation of audit partner assigned to the Company and sets the maximum tenure of appointment of an external audit firm;

(iii) reviews the nature and extent of non-audit services and where the external auditors supply a substantial volume of such non-audit services to the Company, seeks to balance the maintenance of objectivity and value for money;

(iv) reviews significant financial reporting issues and judgements so as to ensure the integrity of financial statements of the Company and any formal announcements relating to the Company's financial performance;

(v) reviews and reports to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;

(vi) sets selection criteria for the appointment of internal auditors, annually reviews the performance of internal auditors and approves their re-appointment or appointment as the case may be, reviews the independence of the internal auditors annually and sets the maximum tenure of appointment of an internal audit firm;

(vii) reviews the internal audit functions, including:

- reviewing and approving the internal audit plan including the scope and results of the internal audit procedures;

- ensuring that the internal auditor's primary line of reporting is to the ARMC, in particular the Chairman, as and when appointed;

- ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, as and when appointed;

- ensuring the adequacy and effectiveness of the Company's internal audit function, if any, at least annually;

(viii) reviews all forms of interested person transactions ("IPT") and relevant person transactions ("RPT") and registers of IPT and RPT quarterly and approves them in accordance with the Company's "Interested Person Transaction and Relevant Person Transaction" policy as required and which may be amended from time to time by the Board;

(ix) reviews transactions falling within the scope of the Listing Manual, in particular matters pertaining to interested person transactions and acquisitions and realisations as laid down in Chapters 9 and 10 of the Listing Manual;

(x) reviews arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(xi) commissions and reviews the findings of internal investigations conducted where fraud or impropriety is suspected, or where there is a failure of internal controls or infringement of any Singapore law, rule or regulation which is likely to have a material impact on the Group;

(xii) undertakes such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the ARMC;

(xiii) generally undertakes such other functions and duties as may be required by statute, the Listing Manual or the Code of Corporate Governance, and by such amendments made thereto from time to time;

(xiv) reviews with the Management on the areas of risk that may affect the Group's operations and the risk mitigation efforts;

(xv) directs and works with the Management to develop and review policies and processes to address and manage identified areas of risk in a systematic and structured manner;

(xvi) makes recommendations to the Board in relation to business risks that may affect the Group, as and when these risks may arise; and

(xvii) reviews and resolves any conflict of interest which may arise from the interests of the Directors, Executive Officers, Controlling Shareholders and/or their respective associates in any company carrying on a similar or competing businesses as the Group.

The ARMC met four times during the financial year ended 31 December 2014. The ARMC has met with the external auditors and the internal auditors, in each case without the presence of management, to discuss audit matters and any issues of concern.

The ARMC has full access to management and is given the resources required for it to discharge its functions. The ARMC has full authority and the discretion to invite any director or executive officer to attend its meetings.

The ARMC is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that KPMG LLP be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

In appointing our external auditors for the Company and its subsidiaries, we have complied with Rules 712, 715 and 716 of SGX Listing Manual.

Auditors

The external auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lock Wai Han
Director

Tan Wee Tuck
Director

18 March 2015

Statement by Directors

In our opinion:

(a) the financial statements set out on pages FS1 to FS59 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Lock Wai Han
Director

Tan Wee Tuck
Director

18 March 2015

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16 Raffles Quay #22-00
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Independent auditors' report

Members of the Company
Rowsley Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Rowsley Ltd. (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS59.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

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 of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG LLP (Registration No. T08LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
18 March 2015

Statements of financial position
As at 31 December 2014

		Group		Company	
	Note	31 December 2014 $'000	31 December 2013 $'000	31 December 2014 $'000	31 December 2013 $'000
Assets					
Property, plant and equipment	4	9,242	8,907	359	269
Intangible assets and goodwill	5	120,580	134,786	–	–
Investment property	6	186,820	190,739	–	–
Subsidiaries	7	–	–	568,456	190,464
Associates	8	13,276	20,450	–	–
Other investments	9	5,885	5,064	–	–
Derivatives	10	4,595	4,595	–	–
Non-current assets		340,398	364,541	568,815	190,733
Development properties	11	177,280	181,000	–	–
Work-in-progress	12	26,203	20,291	–	–
Trade and other receivables	13	29,398	25,389	23,148	388,766
Cash and cash equivalents	14	36,550	32,496	3,329	9,129
Current assets		269,431	259,176	26,477	397,895
Total assets		609,829	623,717	595,292	588,628
Equity					
Share capital	15	717,225	715,922	717,225	715,922
Reserves	16	(215,752)	(253,929)	(195,978)	(254,573)
Total equity		501,473	461,993	521,247	461,349
Liabilities					
Deferred tax liabilities	17	2,742	5,370	20	20
Purchase consideration payable	18	48,500	126,750	48,500	126,750
Non-current liabilities		51,242	132,120	48,520	126,770
Excess of progress billings over work-in-progress	12	5,165	6,519	–	–
Trade and other payables	19	24,140	18,503	1,275	509
Current tax payable		3,559	4,582	–	–
Purchase consideration payable	18	24,250	–	24,250	–
Current liabilities		57,114	29,604	25,525	509
Total liabilities		108,356	161,724	74,045	127,279
Total equity and liabilities		609,829	623,717	595,292	588,628

The accompanying notes form an integral part of these financial statements.

Consolidated statement of comprehensive income
Year ended 31 December 2014

	Note	Group Year ended 31/12/2014 $'000	Period from 1/4/2013 to 31/12/2013 $'000
Revenue	20	87,232	22,504
Reversal of allowance for foreseeable losses		3,658	–
Other income		73,278	5,565
Staff costs		(58,049)	(16,705)
Impairment loss on goodwill		–	(221,244)
Other expenses		(40,591)	(14,286)
Share of profit/(loss) of associates, net of tax		1,381	(525)
Profit/(loss) before interest, tax, depreciation and amortisation (EBITDA)	21	66,909	(224,691)
Interest income		174	649
Depreciation and amortisation expenses		(15,972)	(1,503)
Results from operating activities		51,111	(225,545)
Tax expense	22	(1,667)	(744)
Profit/(loss) for the year/period		49,444	(226,289)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations		(10,124)	(5)
Net change in fair value of available-for-sale financial assets		(1,519)	(1,304)
Related tax	22	376	222
Other comprehensive income for the year/period, net of tax		(11,267)	(1,087)
Total comprehensive income for the year/period		38,177	(227,376)
Profit/(loss) attributable to equity holders of the Company		49,444	(226,289)
Total comprehensive income attributable to equity holders of the Company		38,177	(227,376)
Earnings per share			
Basic earnings/(loss) per share (cents)	23	1.162	(10.52)
Diluted earnings/(loss) per share (cents)	23	0.796	(10.52)

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
Year ended 31 December 2014

	Note	Share capital $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
At 1 April 2013		62,172	–	2,917	(29,470)	35,619
Total comprehensive income for the period						
Loss for the period		–	–	–	(226,289)	(226,289)
Other comprehensive income						
Foreign currency translation differences for foreign operations		–	(5)	–	–	(5)
Net change in fair value of available-for-sale financial assets		–	–	(1,304)	–	(1,304)
Tax on other comprehensive income		–	–	222	–	222
Total comprehensive income for the period		–	(5)	(1,082)	(226,289)	(227,376)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issuance of ordinary shares	15	653,750	–	–	–	653,750
Total contributions by and distributions to owners		653,750	–	–	–	653,750
At 31 December 2013		715,922	(5)	1,835	(255,759)	461,993

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity (cont'd)
Year ended 31 December 2014

	Note	Share capital $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
At 1 January 2014		715,922	(5)	1,835	(255,759)	461,993
Total comprehensive income for the year						
Profit for the year		–	–	–	49,444	49,444
Other comprehensive income						
Foreign currency translation differences for foreign operations		–	(10,124)	–	–	(10,124)
Net change in fair value of available-for-sale financial assets		–	–	(1,519)	–	(1,519)
Tax on other comprehensive income		–	–	376	–	376
Total comprehensive income for the year		–	(10,124)	(1,143)	49,444	38,177
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issuance of ordinary shares	15	1,303	–	–	–	1,303
Total contributions by and distributions to owners		1,303	–	–	–	1,303
At 31 December 2014		717,225	(10,129)	692	(206,315)	501,473

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows
Year ended 31 December 2014

	Note	Group Year ended 31/12/2014 $'000	Period from 1/4/2013 to 31/12/2013 $'000
Cash flows from operating activities			
Profit/(loss) for the year/period		49,444	(226,289)
Adjustments for:			
Advances to affiliates written off		–	44
Deposits written off		–	65
Tax expense		1,667	744
Depreciation of property, plant and equipment		1,766	430
Amortisation of intangible assets		14,206	1,073
Gain on sale of available-for-sale financial assets		(2,340)	–
Loss on disposal of property, plant and equipment		16	–
Dividend income		(48)	(96)
Interest income		(174)	(649)
Impairment loss on goodwill		–	221,244
Loss on disposal of held-to-maturity financial assets		–	221
Share of (profit)/loss of associates, net of tax		(1,381)	525
Impairment loss on trade receivables		34	–
Impairment loss on investment in an associate		7,912	–
Reversal of impairment loss on trade receivables		(77)	(23)
Fair value changes in purchase consideration payable		(54,000)	–
Reversal of allowance for foreseeable losses		(3,658)	–
Unrealised foreign exchange gain		(2,516)	(2,264)
Operating profit/(loss) before working capital changes		10,851	(4,975)
Changes in working capital:			
Development properties		(32)	(5,632)
Work-in-progress		(2,254)	1,875
Trade and other receivables		(3,983)	(1,424)
Trade and other payables		6,017	8,987
Progress billings		(1,354)	1,086
Cash generated from/(used in) operations		9,245	(83)
Interest received		174	707
Tax paid		(4,953)	(585)
Net cash generated from operating activities		4,466	39
Cash flows from investing activities			
Additions to property, plant and equipment		(2,485)	(2,680)
Acquisition of subsidiary, net of cash acquired	29	–	18,481
Proceeds from disposal of held-to-maturity financial assets		–	6,818
Proceeds from disposal of property, plant and equipment		6	4
Expenditure on investment property		(34)	(5,934)
Dividends received		748	96
Net fixed deposits placed		(570)	–
Net cash (used in)/generated from investing activities		(2,335)	16,785

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows (cont'd)
Year ended 31 December 2014

	Note	Group Year ended 31/12/2014 $'000	Group Period from 1/4/2013 to 31/12/2013 $'000
Cash flows from financing activity			
Proceeds from issuance of ordinary shares		1,303	–
Net cash generated from financing activity		1,303	–
Net increase in cash and cash equivalents		3,434	16,824
Cash and cash equivalents at beginning of the year/period		31,657	15,068
Effect of exchange rate fluctuation on cash held		50	(235)
Cash and cash equivalents at end of the year/period	14	35,141	31,657

Significant non-cash items

On 25 September 2013, the Company acquired the entire issued and paid-up share capital of RSP Architects Planners & Engineers (Pte) Ltd and a 9.23 hectare land in Malaysia's Iskandar Development Region (collectively referred to as the "Acquisitions") for a total of $653.75 million, by issuing 3,261,666,666 ordinary shares (see Note 29).

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the directors on 18 March 2015.

1 Domicile and activities

Rowsley Ltd. (the Company) is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in the Republic of Singapore. The address of its registered office is 1 Kim Seng Promenade, #14-01 Great World City, East Tower, Singapore 237994.

The financial statements of the Group as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

The principal activities of the Company are those of investments, investment holding and strategic investments and other related activities. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information are presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumption and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Notes 5 and 8 - Key assumptions used in discounted cash flow projections
- Notes 11 and 12 - Estimation of allowance for foreseeable losses
- Note 13 - Recoverability of trade and other receivables
- Note 22 - Estimation of tax provision
- Note 29 - Fair value determination of assets, liabilities and contingent liabilities acquired in business combination

2.5 Changes in accounting policies

(i) Subsidiaries

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns

In accordance with the transitional provisions of FRS 110, the Group reassessed the control conclusion for its investees at 1 January 2014 and the Group's control conclusion in respect of its investments remain unchanged.

(ii) Disclosure of Interests in Other Entities

From 1 January 2014, as a result of FRS 112 *Disclosure of Interests in Other Entities*, the Group has expanded its disclosure about its interest in associates (see Note 8).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Non-controlling interests ("NCI") that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRS.

Costs related to the acquisition, other than those associated with the issue of equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any NCI and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the associate's operation or has made payments on behalf of the associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) ***Foreign operations***

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the reporting date.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.3 Property, plant and equipment

(i) ***Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item), is recognised in profit or loss.

(ii) ***Subsequent costs***

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) ***Depreciation***

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

Buildings	-	60 years
Furniture and fittings	-	3 to 15 years
Computers	-	3 to 6 years
Office equipment	-	5 years
Renovation	-	2 to 15 years
Electrical fittings and other fixtures	-	2 to 10 years
Motor vehicles	-	5 to 10 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Intangible assets and goodwill

(i) ***Management consultancy agreement***

Management consultancy agreement, that was acquired by the Group, comprises agreements pertaining to the Group's right to 11% of certain entities' revenue in relation to the services provided under these agreements. It has a finite useful life and is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Order backlog

Order backlog, which was acquired by the Group, comprises remaining architectural contract revenues that have yet to be invoiced to customers. It has a finite useful life and is measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Management consultancy agreement

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of 20 years.

Order backlog

Amortisation is recognised in profit or loss based on the architectural contract revenues expected to be invoiced to customers.

3.5 Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is stated at cost and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Gains or losses on disposal of an investment property are determined by comparing the proceeds from disposal with the carrying amount of investment property, and are recognised in profit or loss.

Depreciation

No depreciation is provided on freehold land included in the investment property.

Transfers

Transfers to, or from, investment property are made when there is a change in use, evidenced by:

- Commencement of owner-occupation, for a transfer from investment property to property, plant and equipment;
- Commencement of development with a view to sell, for a transfer from investment property to development properties; and
- End of owner-occupation, for a transfer from property, plant and equipment to investment property.

3.6 Development properties

Development properties are measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities. Cost includes an appropriate share of development overheads allocated based on normal capacity.

Borrowing costs that are directly attributable to the acquisition and development of the properties under development are capitalised as part of properties under development during the period of development.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

The aggregated costs incurred are presented as development properties while progress billings are presented separately as deferred income in the statement of financial position.

3.7 Construction work in progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 3.12) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as excess of progress billings over work-in-progress in the statement of financial position.

3.8 Financial instruments

(i) ***Non-derivative financial assets***

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities.

(ii) ***Non-derivative financial liabilities***

Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables.

(iii) ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(iv) ***Derivatives***

Non-trading derivatives

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in their fair values are recognised immediately in the profit or loss.

3.9 Impairment

(i) ***Non-derivative financial assets***

A financial asset not carried at fair value through profit or loss, including an interest in an associate, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale equity security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. The amount of the reversal is recognised in other comprehensive income.

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 3.9(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) *Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than investment property, development properties and work-in-progress, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in associate may be impaired.

3.10 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Accrual for accumulated compensated absences

Employee benefits in the form of accumulated compensated absences are recognised in the profit or loss when the employees render services that increase their entitlement to future compensated absences.

3.11 Financial guarantee contracts

Financial guarantee contracts are accounted for as insurance contracts. A provision is recognised based on the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date. The provision is assessed by reviewing individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

3.12 Revenue

(i) Sale of development properties - overseas

Revenue from sales of development properties is only recognised upon the transfer of control and significant risks and rewards of ownership of the property to the buyer. This generally coincides with the point in time when the development unit is delivered to the buyer. No revenue is recognised when there is significant uncertainty as to the collectability of consideration due or the possible return of units sold.

(ii) Contract revenue from architectural services

Revenue is recognised in profit or loss when the relevant services are rendered. Revenue is recognised in profit or loss using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total cost for the contract.

Estimated foreseeable losses on uncompleted contracts are made on a contract by contract basis. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately in the profit or loss.

When the outcome of a contract cannot be estimated reliably, revenue is recognised in profit or loss only to the extent of contract costs incurred that is expected to be recoverable.

(iii) Dividends

Dividend income from subsidiaries and associates are recognised in profit or loss when the Company's right to receive payment is established.

Dividend income from quoted and unquoted financial assets are recognised in profit or loss as and when it is received.

3.13 Inter-company interest-free loans

In the Company's financial statements, interest-free loans to a subsidiary are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investment in subsidiary in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest income in profit or loss over the expected repayment period.

Interest-free loans, where settlement is neither planned nor likely to occur in the foreseeable future, are in substance, part of the Company's net investment in the entities and are stated at cost less accumulated impairment losses.

Such balances are eliminated in full in the Group's consolidated financial statements.

3.14 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.15 Finance income

Interest income

Interest income is recognised using the effective interest method.

3.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.17 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Directors (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, investment property, and intangible assets other than goodwill.

3.19 New standards and interpretations not yet adopted

Except as otherwise indicated below, new standards, amendments to standards, and interpretations are not expected to have a significant effect on the financial statements of the Group. The Group does not plan to adopt these standards early.

- FRS 115 *Revenue from Contracts with Customers*

  FRS 115 *Revenue from Contracts with Customers* will replace FRS 18 *Revenue*, FRS 11 *Construction Contracts* and related interpretations. The standard establishes the principle for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed (e.g. service revenue and contract modifications) and improved guidance for multi-element arrangements. The Group is currently assessing the impact upon adoption this standard in financial year ending 31 December 2017.

- FRS 109 *Financial Instruments*

  The standard replaces FRS 39 *Financial Instruments: Recognition and Measurement*. The standard sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company is currently assessing the impact on adoption of this standard in financial year ending 31 December 2018.

4 Property, plant and equipment

Group	Note	Buildings $'000	Furniture and fittings $'000	Computers $'000	Office equipment $'000	Renovation $'000	Electrical fittings and other fixtures $'000	Motor vehicles $'000	Total $'000
Cost									
At 1 April 2013		–	69	19	9	55	–	318	470
Additions		2,196	106	284	7	–	87	–	2,680
Acquisitions through business combinations	29	1,825	819	2,058	–	1,619	–	28	6,349
Disposals		–	(28)	(49)	(1)	–	–	–	(78)
Translation difference		16	9	12	–	5	–	1	43
At 31 December 2013/ 1 January 2014		4,037	975	2,324	15	1,679	87	347	9,464
Additions		765	243	745	47	330	241	114	2,485
Disposals		–	(58)	–	(8)	(56)	–	–	(122)
Translation difference		(387)	26	45	–	19	(1)	6	(292)
At 31 December 2014		4,415	1,186	3,114	54	1,972	327	467	11,535
Accumulated depreciation									
At 1 April 2013		–	36	15	5	55	–	72	183
Depreciation for the period		65	57	217	1	63	1	26	430
Disposals		–	(25)	(48)	(1)	–	–	–	(74)
Translation difference		2	7	7	–	1	–	1	18
At 31 December 2013/ 1 January 2014		67	75	191	5	119	1	99	557
Depreciation for the year		337	187	953	6	214	27	42	1,766
Disposals		–	(40)	–	(5)	(55)	–	–	(100)
Translation difference		–	22	34	*	8	1	5	70
At 31 December 2014		404	244	1,178	6	286	29	146	2,293
Carrying amounts									
At 1 April 2013		–	33	4	4	–	–	246	287
At 31 December 2013		3,970	900	2,133	10	1,560	86	248	8,907
At 31 December 2014		4,011	942	1,936	48	1,686	298	321	9,242

* Less than $1,000

	Furniture and fittings $'000	Computers $'000	Office equipment $'000	Renovation $'000	Motor vehicles $'000	Total $'000
Company						
Cost						
At 1 April 2013	69	19	9	55	318	470
Additions	1	18	2	–	–	21
Disposals	–	(6)	(1)	–	–	(7)
At 31 December 2013/1 January 2014	70	31	10	55	318	484
Additions	17	118	40	11	–	186
Disposals	(58)	–	(8)	(56)	–	(122)
At 31 December 2014	29	149	42	10	318	548
Accumulated depreciation						
At 1 April 2013	36	15	5	55	72	183
Depreciation for the period	10	4	1	–	24	39
Disposals	–	(6)	(1)	–	–	(7)
At 31 December 2013/1 January 2014	46	13	5	55	96	215
Depreciation for the year	7	26	5	4	32	74
Disposals	(40)	–	(5)	(55)	–	(100)
At 31 December 2014	13	39	5	4	128	189
Carrying amounts						
At 1 April 2013	33	4	4	–	246	287
At 31 December 2013	24	18	5	–	222	269
At 31 December 2014	16	110	37	6	190	359

5 Intangible assets and goodwill

	Note	Management consultancy agreement $'000	Order backlog $'000	Goodwill $'000	Total $'000
Cost					
At 1 April 2013		–	–	–	–
Acquisitions through business combination	29	7,164	21,603	328,336	357,103
At 31 December 2013/ 1 January 2014/ 31 December 2014		7,164	21,603	328,336	357,103
Accumulated amortisation and impairment					
At 1 April 2013		–	–	–	–
Amortisation for the period		89	984	–	1,073
Impairment loss		–	–	221,244	221,244
At 31 December 2013/ 1 January 2014		89	984	221,244	222,317
Amortisation for the year		358	13,848	–	14,206
At 31 December 2014		447	14,832	221,244	236,523
Carrying amounts					
At 1 April 2013		–	–	–	–
At 31 December 2013		7,075	20,619	107,092	134,786
At 31 December 2014		6,717	6,771	107,092	120,580

Impairment loss

During 2013, following the acquisition of RSP Sub-Group, the Group assessed the recoverable amount of RSP Sub-Group (see Note 29) as part of its goodwill impairment testing.

The recoverable amount of RSP Sub-Group was estimated based on its value-in-use. Based on the assessment, the carrying amount of RSP Sub-Group was determined to be $221,244,000 higher than its recoverable amount, and an impairment loss was recognised.

As at 31 December 2014, the Group reviewed the recoverable amount of RSP Sub-Group and found that there is no significant change in its recoverable amount.

Impairment testing for cash-generating units containing goodwill

For the purposes of impairment testing, the entire goodwill is allocated to the RSP Sub-Group.

Key assumptions used in discounted cash flow projection calculations

Key assumptions used in the calculation of recoverable amounts are discount rate, terminal value growth rate and the growth rate. The values assigned to the key assumptions represented management's assessment for future trends in the architectural, engineering and town-planning industry and were based on external and internal sources (historical data). The key assumptions were as follows:

	2014 %	2013 %
Group		
Discount rate	13.0	13.0
Terminal value growth rate	1.0	1.0
Budgeted EBITDA growth rate	0.0	0.0

Discount rate

The discount rate is a post-tax measure estimated based on past experience, and industry average weighted average cost of capital.

Terminal value growth rate

Three years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined based on management's estimate of the long-term compound annual growth rate in EBITDA which management believed was consistent with the assumption that a market participant would make.

Budgeted EBITDA growth

Budgeted EBITDA is expressed as the compound annual growth rates in the initial three years of the plans used for impairment testing and has been based on past experience.

Following an impairment in the goodwill relating to RSP Sub-Group in 2013, the recoverable amount is equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to a further impairment.

6 Investment property

	Group	
	2014 $'000	**2013 $'000**
Cost/Carrying amount		
At 1 April/1 January	190,739	–
Additions	34	190,714
Translation differences	(3,953)	25
At 31 December	186,820	190,739
Fair value		
At 31 December	190,849	200,848

On 25 September 2013, the Group completed its acquisition of a piece of freehold land ("the Land"), measuring 9.23 hectares and located within the Iskandar Development Region, Johor Bahru Malaysia (see Note 29).

The Land is intended for mixed-use development comprising hotel, retail, offices and serviced apartments. The investment property portion accounts for 51.31% of the total land area and has its carrying amount as above.

7 Subsidiaries

	Company	
	2014 $'000	2013 $'000
Unquoted shares, at cost	422,799	422,799
Loans to a subsidiary	377,992	–
Less: Impairment losses	(232,335)	(232,335)
	568,456	190,464

The loans to a subsidiary is interest-free and unsecured. The settlement of the loans is neither planned nor likely to occur in the foreseeable future. As these loans, in substance, form part of the Company's net investment in subsidiaries, they are stated at cost.

Impairment losses solely consist of impairment relating to the Company's investment in RSP. As at 31 December 2014, the Company re-estimated the recoverable amount of RSP using the value-in-use approach and found that there is no significant change in its recoverable amount. Arising from this, no additional impairment loss or reversal of impairment losses previously recognised is required.

As at 31 December 2013, the Company assessed the recoverable amount of RSP using the value-in-use approach. Based on this assessment, the Company made an impairment loss of $232,335,000.

Details of significant subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group 2014 %	2013 %
Vantage Bay JB Sdn. Bhd. and its subsidiary [(2)]	Property development	Malaysia	100	100
Skies VB Sdn Bhd [(2)]	Property development	Malaysia	100	100
RSP Architect Planners & Engineers (Pte) Ltd and its subsidiaries ("RSP Sub-Group") [(1)#] :	Architects, planners, surveyors and engineers	Singapore	100	100
RSP-SM Consultants Beijing Co., Ltd [(3)]	Architects and planners	People's Republic of China	100	100

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group 2014 %	2013 %
RSP Architects Planners & Engineers (Vietnam) Co., Ltd. [3]	Architects and planners	Socialist Republic of Vietnam	100	100
RSP (Middle East) FZCO [2]	Architects and planners	Dubai, United Arab Emirates	100	100
RSP Interiors Pte Ltd [3]	Interior design	Singapore	100	100
RSP Architects Planners (Shanghai) Co., Ltd [3]	Architects and planners	People's Republic of China	100	100
RSP Architects, Planners & Engineers Private Limited [4]	Architects, planners and engineers	Ghana	100	100
RSP Planet Design Studios Pte Ltd [3]	Architects and planners	Singapore	100	100

(1) Audited by KPMG LLP Singapore.

(2) Audited by member firms of KPMG International.

(3) Audited by other public accounting firm.

(4) Not required to be audited in the country of incorporation.

\# Acquired through a business combination (see Note 29)

8 Associates

	Group	
	2014	**2013**
	$'000	**$'000**
Investments in associates	13,276	20,450

The Group has two (2013: two) associates that are material and an (2013: one) associate that is not material to the group. All are equity accounted. The following are for the Group's associates which are material.

Details of material associates are as follows:

	Streamax International Holding Co., Ltd[(1)] ("Streamax")	**Squire Mech Private Ltd[(1)#] ("Squire Mech")**
Nature and relationship with the Group	Recycling and sale of stainless metal and production and sale of nickel bean products	Engineering consultancy
Principal place of business/Country of incorporation	People's Replublic of China/Hong Kong	Singapore
Ownership interest/Voting rights held	24% (2013: 24%)	35% (2013: 35%)

The Group's associates are not listed.

(1) Audited by other public accounting firm.

Acquired through a business combination (see Note 29).

The following summarises the financial information of each of the Group's material associates based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition.

	Streamax	**Squire Mech**	**Total**
	$'000	**$'000**	**$'000**
2014			
Revenue	155,091	22,763	
Profit after tax	478	3,618	
Other comprehensive income	–	152	
Total comprehensive income	478	3,770	
Attributable to investee's shareholders	478	3,770	

	Streamax $'000	Squire Mech $'000	Immaterial associate[a] $'000	Total $'000
2014				
Non-current assets	3,600	10,227		
Current assets	68,121	16,864		
Non-current liabilities	(6,390)	–		
Current liabilities	(43,648)	(4,231)		
Net assets	21,683	22,860		
Attributable to investee's shareholders	21,683	22,860		
Group's interest in net assets of investee at beginning of the year	5,542	7,379	–	12,921
Group's share of:				
- profit after tax	116	1,267		
- other comprehensive income	–	55		
- total comprehensive income	116	1,322	–	1,438
Dividend received during the year	–	(700)	–	(700)
Goodwill:				
- at beginning of the year	7,529	–		
- Impairment loss during the year	(7,529)	–		
	–	–	–	–
Impairment loss during the year	(383)	–	–	(383)
Carrying amount of interest in investee at end of the year	5,275	8,001	–	13,276
2013				
Revenue	102,418	5,531		
Loss after tax	(1,346)	(576)		
Other comprehensive income	–	17		
Total comprehensive income	(1,346)	(559)		
Attributable to investee's shareholders	(1,346)	(559)		
Non-current assets	9,820	10,151		
Current assets	82,121	14,447		
Non-current liabilities	(6,270)	(35)		
Current liabilities	(31,209)	(3,478)		
Net assets	54,462	21,085		
Attributable to investee's shareholders	54,462	21,085		

2013	Streamax $'000	Squire Mech $'000	Immaterial associate [a] $'000	Total $'000
Group's interest in net assets of investee at beginning of the period	5,865	–	–	5,865
Acquisitions through business combination	–	7,575	–	7,575
Group's share of:				
- loss after tax	(323)	(202)		
- other comprehensive income	–	6		
- total comprehensive income	(323)	(196)	–	(519)
Goodwill	7,529	–	–	7,529
Carrying amount of interest in investee at end of the period	13,071	7,379	–	20,450

[a] The Group has not recognised losses relating to SMD International Pte Ltd where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of the reporting period was $12,094,000 (31/12/2013: $12,072,000), of which $22,000 (31/12/2013: $31,000) was the share of current year's losses. The Group has no obligation in respect of these losses.

Impairment loss

During the year, Streamax had been unable to realise its business expansion plans. Accordingly, management estimated the recoverable amount of the investment in Streamax in 2014. The recoverable amount of $5,275,131 was estimated based on its value in use.

The carrying amount of the Group's investment in Streamax was determined to be higher than its recoverable amount of $5,275,131 and an impairment loss of $7,912,000 was recognised.

Key assumptions used in the estimation of value in use were as follows:

	2014 %
Group	
Discount rate	10.0
Terminal value growth rate	1.0
Budgeted EBITDA growth rate	0.0

Discount rate

The discount rate is a post-tax measure estimated based on past experience, and industry average weighted average cost of capital.

Terminal value growth rate

Three years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined based on management's estimate of the long-term compound annual growth rate in EBITDA which management believed was consistent with the assumption that a market participant would make.

Budgeted EBITDA growth

Budgeted EBITDA is expressed as the compound annual growth rates in the initial three years of the plans used for impairment testing and has been based on past experience.

Following the impairment loss recognised in the Group's investment in Streamax, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption will lead to further impairment.

9 Other investments

	Group	
	2014	**2013**
	$'000	**$'000**
Available-for-sale financial assets		
Quoted available-for-sale equity securities	5,885	5,064

10 Derivatives

Derivatives comprise the aggregate fair values of the following call options agreements entered by a subsidiary of the Group:

(a) Call option to purchase 30% interest (ordinary shares) in RSP Architects Sdn Bhd ("RSP Architects) from a director of RSP Sub-Group, with an exercise price of MYR1 and an indefinite exercise period; and

(b) Call option to purchase 34.88% interest (ordinary shares) in RSP Design Consultants (India) Pvt Ltd, with an exercise price of 7.5 times the consolidated earnings based on the audited financial results for the financial year immediately preceding the financial year in which the call option is exercised.

11 Development properties

	Group	
	2014	**2013**
	$'000	**$'000**
Development properties		
- Costs incurred	177,280	181,000

The Group makes allowance for foreseeable losses by reference to comparable properties, timing of sale launches, location of property, expected net selling prices and development expenditure. Market conditions, however, may change which might affect the future selling prices on the remaining unsold residential units of the development properties, and accordingly, the carrying value of development properties may have to be further adjusted in future periods.

The development properties held by the Group as at 31 December are as follows:

Description and location	Existing use	Tenure	Gross floor area	Interest %
Land under development in Malaysia's Iskandar Development Region	Residential	Freehold	494,426 sqm	100

12 Work-in-progress

	Group 2014 $'000	Group 2013 $'000
Work-in-progress, at cost	179,496	135,141
Attributable profits	81,193	65,397
	260,689	200,538
Allowance for foreseeable losses	(3,027)	(6,685)
	257,662	193,853
Progress payments received and receivable	(236,624)	(180,081)
	21,038	13,772
Represented by:		
Work-in-progress	26,203	20,291
Excess of progress billings over work-in-progress	(5,165)	(6,519)
	21,038	13,772

Source of estimation uncertainty

The Group uses the percentage of completion method in accounting for its contract revenue. The percentage of completion is measured by reference to the percentage of project costs incurred to date to estimated total project costs for the project.

Significant judgement is required in determining the percentage of completion, the estimated total contract revenue and contract costs, as well as the recoverability of and foreseeable losses relating to the contracts.

Total contract revenue includes variation works and claims that are recoverable from client, if any. The Group conducts regular reviews of all of its projects. The Group constantly monitors and reviews the progress of all projects taking into consideration all inputs from both internal project managers and external customers' project managers in order to determine the total estimated costs. The reviews include evaluating any potential risks and factors which may affect the timely completion of the projects. The review also encompasses a cost analysis process whereby both actual cost incurred and future costs-to-complete are examined. The estimated future cost-to-complete takes into consideration potential manpower resources needed to complete the project and external services required. Based on these reviews, anticipated losses on uncompleted projects are provided when foreseeable.

The assessment of the percentage of completion, the estimated total contract revenue and contract costs and anticipated losses either increase or decrease contract revenue recognised, cost of sales expense and construction work-in-progress.

13 Trade and other receivables

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	23,904	20,977	–	–
Less: Accumulated impairment losses	(18)	–	–	–
	23,886	20,977	–	–
Amounts due from:				
- affiliates (non-trade)	–	86	–	–
- subsidiaries (non-trade)	–	–	29,719	395,719
	–	86	29,719	395,719
Less: Accumulated impairment losses	–	–	(7,097)	(7,097)
	–	86	22,622	388,622
Deposits paid to				
- affiliates	197	164	–	–
- third parties	1,004	998	50	33
Management consultancy fee receivable	1,821	1,184	–	–
Other receivables	1,292	1,207	83	42
	4,314	3,553	133	75
Loans and receivables	28,200	24,616	22,755	388,697
Prepayments	1,198	773	393	69
	29,398	25,389	23,148	388,766

The non-trade amounts due from affiliates and subsidiaries are unsecured, interest-free and repayable on demand.

The Group conducts periodic reviews on the collectability of its trade receivables. The review comprises a critical assessment of the ability of the trade debtors to repay its debts by taking into account their respective financial position and future business prospects. Differences between the Group's assessment of the trade debtors' future business prospects and actual financial performance will be taken into the period in which the differences occur.

The ageing of loans and receivables at the reporting date is:

	Group				Company			
	Gross 2014 $'000	Impairment losses 2014 $'000	Gross 2013 $'000	Impairment losses 2013 $'000	Gross 2014 $'000	Impairment losses 2014 $'000	Gross 2013 $'000	Impairment losses 2013 $'000
Not past due	16,104	–	13,609	–	29,852	7,097	395,794	7,097
Past due 0 – 30 days	2,323	–	2,380	–	–	–	–	–
Past due 31 – 90 days	2,259	–	3,776	–	–	–	–	–
More than 91 days	7,532	18	4,851	–	–	–	–	–
	28,218	18	24,616	–	29,852	7,097	395,794	7,097

Movements in allowance for impairment losses on loans and receivables during the year were as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
At 1 January/1 April	–	–	7,097	7,097
Impairment loss recognised	34	34	–	–
Impairment loss reversed	(16)	(38)	–	–
Translation difference	–	4	–	–
At 31 December	18	–	7,097	7,097

Source of estimation uncertainty

The Group maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's and the Company's relationship with debtors, their payment behaviour and known market factors. The Group and the Company review the age and status of receivables, and identifies accounts for which allowance is required on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group and the Company made different judgement or utilised different estimates. An increase in the Group's and the Company's allowance for impairment losses would increase the Group's recorded operating expenses and decrease current assets.

The Group's and the Company's exposure to credit and currency risks, are disclosed in Note 27.

14 Cash and cash equivalents

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash at bank and in hand	31,520	31,035	3,329	9,129
Short-term deposits	5,030	1,461	–	–
	36,550	32,496	3,329	9,129
Fixed deposits with maturities of more than 3 months	(1,409)	(839)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	35,141	31,657	3,329	9,129

The weighted average effective interest rate per annum relating to the fixed deposits at the balance sheet date for the Group is 4.67% (2013: 1.54%). Interest rates reprice monthly.

15 Share capital

Company	Note	2014 No. of shares '000	2013 No. of shares '000
Fully paid ordinary shares, with no par value			
In issue at beginning of the year/period		4,250,968	989,301
Issued in business combination	29	–	875,000
Exercise of warrants		7,238	–
Issued in acquisition of land	29	–	2,386,667
In issue at end of the year/period		4,258,206	4,250,968

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

All issued shares are fully paid, with no par value.

Issue of ordinary shares

During the financial year, 7,238,000 ordinary shares were issued as a result of the exercise of warrants.

In the previous financial period, the Company issued 3,261,666,666 ordinary shares as consideration for the Acquisitions (see Note 29).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital of the Group. The Board of Directors also monitors the level of dividends paid to ordinary shareholders.

There was no change in the Company's approach to capital management during the year.

16 Reserves

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Accumulated losses	(206,315)	(255,759)	(195,978)	(254,573)
Foreign currency translation reserve	(10,129)	(5)	–	–
Fair value reserve	692	1,835	–	–
	(215,752)	(253,929)	(195,978)	(254,573)

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

17 Deferred tax liabilities

Movement in temporary differences during the year/period

	At 1/4/2013 $'000	Recognised in profit or loss (Note 22) $'000	Recognised in equity $'000	Acquisitions through business combinations (Note 29) $'000	At 31/12/2013 $'000	Recognised in profit or loss (Note 22) $'000	Recognised in equity $'000	At 31/12/2014 $'000
Group								
Deferred tax liabilities								
Property, plant and equipment	20	7	–	614	641	(3)	–	638
Available-for-sale financial assets	598	–	(222)	–	376	–	(376)	–
Intangible assets	–	(70)	–	4,472	4,402	(2,198)	–	2,204
	618	(63)	(222)	5,086	5,419	(2,201)	(376)	2,842
Deferred tax asset								
Other provisions	–	(4)	–	(45)	(49)	(51)	–	(100)
Company								
Deferred tax liabilities								
Property, plant and equipment	20	–	–	–	20	–	–	20

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting are as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deferred tax liabilities	2,742	5,370	20	20

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Tax losses	7,392	6,133	3,485	3,494

Tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of tax losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

18 Purchase consideration payable

The contingent consideration liability arose from the acquisition of RSP Sub-Group, which includes a clause that entitles the vendor to up to 375,000,000 ordinary shares upon RSP Sub-Group meeting certain earn-out targets based on earn-out formula as described in the sale and purchase agreement. Please refer to Note 29 for information in relation to the contingent consideration liability arising from the business combination.

19 Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade payables	9,311	3,643	–	–
Accrued operating expenses	9,971	10,159	968	437
Goods and services tax ("GST")/Value added tax ("VAT") payables	–	1,174	–	–
Deposits	22	253	–	–
Amounts due to directors	766	742	–	–
Amounts due to companies in which directors have a substantial interest	320	241	–	–
Retention payable	–	114	–	–
Land tax payable	–	48	–	–
Other payables	3,750	2,129	307	72
	24,140	18,503	1,275	509

Non-trade amounts due to directors and companies in which the directors have a substantial interest are unsecured, interest-free and repayable on demand.

20 Revenue

Revenue comprises:

	Group	
	Year ended 31/12/2014 $'000	Period from 1/4/2013 to 31/12/2013 $'000
Architectural services	70,112	17,581
Civil and structural engineering services	11,111	3,170
Master planning services	5,294	1,657
Project management	667	–
Dividend	48	96
	87,232	22,504

21 Profit/(loss) before interest, tax, depreciation and amortisation (EBITDA)

The following items have been charged/(credited) in arriving at EBITDA:

	Note	Group	
		Year ended 31/12/2014 $'000	Period from 1/4/2013 to 31/12/2013 $'000
Audit fees paid to auditors of the Company			
- Auditors of the Company		274	271
- Other auditors		32	25
Non-audit fees paid to auditors of the Company		–	600
Professional fees		1,213	3,485
Operating lease expenses		4,707	1,284
Loss on disposal of held-to-maturity financial assets	(a)	–	221
Project expenses		18,721	5,726
Impairment loss on investment in associate		7,912	–
Wages, salaries and bonuses		52,101	15,453
Contributions to defined contribution plans		3,355	868
Gain on disposal of available-for-sale financial asset		2,340	–
Management consultancy fee		(2,207)	(336)
Fair value changes in purchase consideration payable		(54,000)	–
Reversal of allowances for foreseeable losses		(3,658)	–
Foreign exchange gain, net		(2,838)	(2,118)
Wages reimbursed from customers		(11,077)	(2,868)

(a) In the previous financial period, the held-to-maturity financial assets represented 1,900 number of Sukuk bonds ("the Sukuks") with a face value of Arab Emirates Dirham ("AED") 10,000 each issued by Nakheel PJSC acquired through a business combination (see Note 29).

The Sukuks were measured at amortised cost, using the effective interest method. Subsequent to the acquisition, the Sukuks were sold to an unrelated party for a consideration of $6,818,000, resulting in a loss on disposal of $221,000. Interest income from the Sukuks of $559,000 was recognised in the profit or loss prior to the disposal.

22 Tax expense

	Group Year ended 31/12/2014 $'000	Group Period from 1/4/2013 to 31/12/2013 $'000
Current tax expense		
- Current year	3,684	805
- Under provision in prior years	235	6
	3,919	811
Deferred tax expense		
- Movements in temporary differences	(2,252)	(67)
	1,667	744

Tax recognised in other comprehensive income ("OCI")

	Group Year ended 31/12/2014 Before tax $'000	Tax benefits $'000	Net of tax $'000	Period from 1/4/2013 to 31/12/2013 Before tax $'000	Tax benefits $'000	Net of tax $'000
Translation differences for foreign operations	(10,129)	–	(10,129)	(5)	–	(5)
Available-for-sale financial assets	692	–	692	2,211	376	1,835

Reconciliation of effective tax rate

	Group Year ended 31/12/2014 $'000	Group Period from 1/4/2013 to 31/12/2013 $'000
Profit/(loss) before tax	51,111	(225,545)
Tax calculated at 17% (2013: 17%)	8,689	(38,343)
Expenses not deductible for tax purposes	4,956	40,229
Effects of tax rates in foreign jurisdiction	(1,449)	–
Effects of results of associates, presented net of tax	216	–
Income not subject to tax	(10,507)	(1,164)
Under provision in prior years	235	6
Current year losses for which no deferred tax asset was recognised	302	39
Tax exempt income	(40)	–
Tax incentives	(747)	–
Others	12	(23)
	1,667	744

Source of estimation uncertainty

The Group has exposure to taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for taxes. These are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for expected tax issues based on estimation of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

23 Earnings/(loss) per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders of $49,444,000 (2013: loss attributable to ordinary shareholders of $226,289,000), and a weighted average number of ordinary shares outstanding of 4,254,973,000 (2013: 2,151,641,000), calculated as follows:

Profit/(loss) attributable to ordinary shareholders:

	Group	
	Year ended 31/12/2014 $'000	Period from 1/4/2013 to 31/12/2013 $'000
Profit/(loss) attributable to ordinary shareholders for basic and diluted earnings per share	49,444	(226,289)

Weighted average number of ordinary shares

	Group	
	2014 '000	2013 '000
Issued ordinary shares at beginning of the year/period	4,250,968	989,301
Effect of shares issued pursuant to exercise of warrants	4,005	–
Effect of shares issued related to the Acquisitions	–	1,162,340
Weighted average number of ordinary shares during the year/period	4,254,973	2,151,641

Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders of $49,444,000 (2013: loss attributable to ordinary shareholders of $226,289,000), and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 6,215,255,000 (2013: 1,978,602,530 were excluded from the dilutive weighted average number of ordinary shares calculation as their effect would have been anti-dilutive), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2014	**2013**
	'000	**'000**
Weighted average number of ordinary shares (basic)	4,254,973	2,151,641
Effect of warrants on issue	1,960,282	–
Weighted average number of ordinary shares (diluted) during the year/period	6,215,255	2,151,641

24 Related party transactions

Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	Year ended 31/12/2014 S'000	**Period from 1/4/2013 to 31/12/2013 S'000**
Short-term employment benefits	3,461	1,592
Post-employment benefits	49	30
	3,510	1,622

Other related party transactions

During the year, other than those disclosed elsewhere in the financial statements, there were the following significant related party transactions carried out in the normal course of business on terms agreed between the parties:

	Group	
	Year ended 31/12/2014 S'000	**Period from 1/4/2013 to 31/12/2013 S'000**
With affiliates:		
Rental paid/payable	(4,143)	(1,097)
Management consultancy fees charged	2,207	335
Consultancy fees charged	3,503	366
Consultancy fees paid/payable	(535)	(374)
With associates:		
Consultancy fees paid/payable	(2,807)	(393)

25 Contingent liabilities

(i) A subsidiary of the Group, RSP Sub-Group is currently defending a claim brought against their developer, contractors and the consultants, including RSP Sub-Group, by the owners of a certain condominium. Based on legal advice, the directors are of the opinion that there is no merit to the quantum of damages claimed against RSP Sub-Group and do not expect the outcome of the action to have a material effect on the Group's financial position at the balance sheet date.

(ii) Subsidiaries of the Company have contingent liabilities in respect of bank guarantees given to third parties as a result of management contracts and projects undertaken. The directors are of the view that no material liabilities will arise from the bank guarantees at the date of these financial statements.

	Group	
	2014	2013
	$'000	$'000
Performance guarantees	802	769
Bank guarantees	52	50
Performance Bonds	417	400

26 Commitments

As at the reporting date, the Group and the Company has the following commitments:

(a) Operating lease

The Group leases several office premises, a warehouse and office equipment under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date. None of the leases have any contingent rental arrangements.

The future minimum lease payments for the Group and Company on non-cancellable operating leases with a term of more than one year are as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Payable:				
Within 1 year	601	4,606	196	185
After 1 year but within 5 years	454	696	205	401
	1,055	5,302	401	586

(b) Capital commitments

As at 31 December 2014, the Group has not entered into any contractual arrangement for development expenditure.

27 Financial risk management

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group has risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy and has established processes to monitor and control the hedging of transactions in a timely and accurate manner. These policies are reviewed annually by the Board of Directors, and quarterly reviews are undertaken to ensure that the Group's policy guidelines are adhered to.

The Board of Directors is responsible for the governance of the Group's risk. The Board has established the ARMC to strengthen its risk management processes and framework. The ARMC reviews and works with the Management on the areas of risk that may affect the Group's operations and the risk mitigation efforts, develop and review policies and processes to address and manage identified areas of risk makes recommendations to the Board of Directors in relation to business risks that may affect the Group, as and when these risks may arise.

The Group does not hold or issue derivative financial instruments for trading purposes.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash is placed with financial institutions that are regulated.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows		
		Within 1 year	Within 1 to 5 years	Total
	$'000	$'000	$'000	$'000
Group				
31 December 2014				
Non-derivative financial liabilities				
Trade and other payables	24,140	(24,140)	–	(24,140)
Purchase consideration payable*	72,750	–	–	–
	96,890	(24,140)	–	(24,140)
31 December 2013				
Non-derivative financial liabilities				
Trade and other payables	18,503	(18,503)	–	(18,503)
Purchase consideration payable*	126,750	–	–	–
	145,253	(18,503)	–	(18,503)
Company				
31 December 2014				
Non-derivative financial liabilities				
Trade and other payables	1,275	(1,275)	–	(1,275)
Purchase consideration payable*	72,750	–	–	–
	74,025	(1,275)	–	(1,275)
31 December 2013				
Non-derivative financial liabilities				
Trade and other payables	509	(509)	–	(509)
Purchase consideration payable*	126,750	–	–	–
	127,259	(509)	–	(509)

* The Company's obligation under the Sale and Purchase Agreement with the Vendor (See Note 18) is to issue share of up to 375,000,000 shares. Thus, there is no future contractual cash flows.

Interest rate risk

The Group and Company are not exposed to significant interest rate risk.

Foreign currency risk

The Group incurs foreign currency risk mainly on sales, purchases, receivables and payables that are denominated in currencies other than the respective functional currencies of the Group entities. The currencies giving rise to this risk are primarily the US Dollar ("USD"), Malaysian Ringgit ("MYR"), Renminbi ("RMB") and AED.

There is no formal hedging policy with respect to foreign exchange exposures. Exposures to currency risk are monitored on an ongoing basis and the Group endeavours to keep the net exposures at an acceptable level.

The Group's exposures to foreign currencies in Singapore dollar equivalent are as follows:

	USD $'000	MYR $'000	RMB $'000	AED $'000
Group				
31 December 2014				
Trade and other receivables	113	6,094	1,231	4,674
Trade and other payables	–	(8,077)	(1,668)	(2,959)
	113	(1,983)	(437)	1,715
31 December 2013				
Trade and other receivables	2,674	2,614	2,253	2,988
Trade and other payables	(24)	(1,227)	(1,725)	(2,452)
	2,650	1,387	528	536

Company

The Company is not exposed to significant foreign currency risks as at 31 December 2014 and 31 December 2013.

Sensitivity analysis

A 10% strengthening of the foreign currencies against Singapore dollar at 31 December would have increased/(decreased) profit before tax (2013: decreased/(increased) loss before tax) by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for the previous financial period ended 31 December 2013.

	Group Profit/(loss) before tax 2014 $'000	Group Profit/(loss) before tax 2013 $'000
USD	11	265
MYR	(198)	139
RMB	(44)	53
AED	172	54
	(59)	511

A 10% weakening of foreign currencies against Singapore dollar would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair value hierarchy

The different levels in the fair value hierarchy have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses fair value measurements for financial assets and liabilities by the levels in the fair value hierarchy based on the inputs to valuation techniques.

Financial assets and liabilities carried at fair value

Group	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2014				
Derivatives	–	–	4,595	4,595
Available-for-sale equity securities	5,885	–	–	5,885
	5,885	–	4,595	10,480
Purchase consideration payable	–	–	72,750	72,750
31 December 2013				
Derivatives	–	–	4,595	4,595
Available-for-sale equity securities	5,064	–	–	5,064
	5,064	–	4,595	9,659
Purchase consideration payable	–	–	126,750	126,750

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value.

		Group	
	Derivatives $'000	**Purchase consideration payable $'000**	**Total $'000**
At 1 April 2013	–	–	–
Arising from business combination	4,595	(126,750)	(122,155)
At 31 December 2013/1 January 2014	4,595	(126,750)	(122,155)
Total unrealised gains and losses recognised in profit or loss	–	54,000	54,000
At 31 December 2014	4,595	(72,750)	(68,155)

The following table shows the valuation technique and the key unobservable inputs used in the determination of fair values of the derivatives and purchase consideration payable:

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Derivatives	The fair value is calculated using expected cash flows, discounted to a present value using a risk-adjusted discount rate.	• Discount rate of 15% (2013: 15%)	The estimated fair value would increase if the risk-adjusted discount rate was lower.
Purchase consideration payable	The fair value is determined considering the probability of RSP Sub-Group meeting the specified earn-out targets and the share price of the Company on the date the earn-out targets are met.	• Closing share price of $0.194 (2013: estimated share price $0.338) • Forecast EBITDA margin 30% (2013: 32%) • Forecast annual revenue growth rate 10% (2013: 0%) • Forecast net operating profit after tax ("NOPAT") growth rate 0% (2013: 0%)	The estimated fair value would increase if the share price was higher.

For the fair value of purchase consideration payable, changing one or more of the significant unobservable inputs used to reasonably possible alternative assumptions would have the following effects. These effects have been calculated by recalibrating the values from the valuation technique using alternative estimates of unobservable inputs that might reasonably have been considered by a market participant to price the contingent consideration at the end of the reporting period. Any interrelationship between the unobservable inputs is not considered to have a significant impact within the range of reasonably possible alternative assumptions.

	2014		2013	
	Increase/ (decrease) in unobservable inputs	**Favourable/ (unfavourable) impact on profit or loss $'000**	**Increase/ (decrease) in unobservable inputs**	**Favourable/ (unfavourable) impact on profit or loss $'000**
• Share price	1%	(750)	1%	(128,018)
	(1%)	750	(1%)	128,018
• EBITDA margin	1%	–	1%	–
	(1%)	–	(1%)	54,881
• Annual revenue growth rate	1%	–	1%	–
	(1%)	(1,775)	(1%)	65,970
• NOPAT growth rate	1%	–	1%	–
	(1%)	–	(1%)	4,211

Key unobservable inputs

Key unobservable inputs correspond to:

- Scenario on revenue, EBITDA and NOPAT growth were developed by management considering the construction industry growth rate in the countries where RSP Sub-Group operates.
- Estimated EBITDA margin and price-earnings ratio are determined based on RSP Sub-Group's historical EBITDA margins and price-earning ration, cross-checked to the weighted average of comparable listed companies in the pertinent locations.
- Closing share price of $0.194 (2013: estimated share price of $0.338) is determined based on the Forward Pricing Theory Approach (2013: risk neutral valuation principle).

Non-financial assets not carried at fair value but for which fair values are disclosed

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2014				
Investment property	–	–	190,849	190,849
31 December 2013				
Investment property	–	200,848	–	200,848

The fair value of investment property as at 31 December 2014 is based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction.

The valuation is determined by an independent professional valuer, using the Direct Comparison Method. The Direct Comparison Method involves the analysis and study of recent sales evidence of similar properties in comparable developments in the subject/comparable vicinities.

Classification of financial instruments

	Note	Loans and receivables $'000	Available-for-sale $'000	Liabilities at amortised cost $'000	Fair value through profit and loss $'000	Total $'000
Group						
31 December 2014						
Available-for-sale equity securities	9	–	5,885	–	–	5,885
Derivatives	10	–	–	–	4,595	4,595
Trade and other receivables#	13	28,200	–	–	–	28,200
Cash and cash equivalents	14	36,550	–	–	–	36,550
		64,750	5,885	–	4,595	75,230
Purchase consideration payable	18	–	–	–	72,750	72,750
Trade and other payables	19	–	–	24,140	–	24,140
		–	–	24,140	72,750	96,890
31 December 2013						
Available-for-sale equity securities	9	–	5,064	–	–	5,064
Derivatives	10	–	–	–	4,595	4,595
Trade and other receivables#	13	24,616	–	–	–	24,616
Cash and cash equivalents	14	32,496	–	–	–	32,496
		57,112	5,064	–	4,595	66,771
Purchase consideration payable	18	–	–	–	126,750	126,750
Trade and other payables	19	–	–	18,503	–	18,503
		–	–	18,503	126,750	145,253

	Note	Loans and receivables $'000	Available-for-sale $'000	Liabilities at amortised cost $'000	Total $'000
Company					
31 December 2014					
Trade and other receivables#	13	22,755	–	–	22,755
Cash and cash equivalents	14	3,329	–	–	3,329
		397,826	–	–	397,826
Trade and other payables	19	–	–	1,275	1,275
31 December 2013					
Trade and other receivables#	13	388,697	–	–	388,697
Cash and cash equivalents	14	9,129	–	–	9,129
		397,826	–	–	397,826
Trade and other payables	19	–	–	509	509

\# *Excludes prepayments.*

Valuation processes applied by the Group

For all significant reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuations and methodologies.

For valuations performed by external valuation experts, management reviews the appropriateness of the valuation methodologies and assumptions adopted. Management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant valuation issues are reported to the Group's ARMC.

Determination of fair value

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group.

Investment in equity securities

The fair value of available-for-sale financial assets is determined by reference to their quoted bid prices at the reporting date.

Derivatives

The fair value of the call options are determined using either the combination of binomial option pricing method and monte carlo simulation or income approach.

Purchase consideration payable

The fair value is determined considering the probability of RSP Sub-Group meeting the specified earn-out targets and the share price of the Company on the date the earn-out targets are met.

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Equity price risk

The Group has investment in quoted equity securities. A 10% increase/(decrease) in the underlying equity prices at the reporting dates would increase/(decrease) profit or loss by the following amounts:

	2014 $'000	2013 $'000
Quoted equity investments available-for-sale	488	420

This analysis assumes that all other variables remain constant.

28 Operating segments

Business Segments

The Group has 3 reportable segments as described below. For each of the reportable segment, the Group's chief operating decision maker reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Property development and investment:	The development and construction of development properties for sale and investments and the holding and management of investment properties
Architectural, engineering and town-planning:	The provision of architectural, master planning, urban design, civil & structural and mechanical & electrical engineering, interior design and project management services.
Investments:	The holding of investments in equity securities, provision of management services and investment holding company.

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 Group's chief operating decision maker. 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.

	Property development and investment $'000	Architectural, engineering and town-planning $'000	Investments $'000	Inter-segment eliminations $'000	Total $'000
31 December 2014					
Total revenue from external customers	–	87,184	48	–	87,232
Inter-segment revenue	–	–	10,000	(10,000)	–
Interest income	–	174	–	–	174
Depreciation and amortisation	284	15,613	75	–	15,972
Reportable segment (loss)/ profit before tax	(7,153)	29,348	(878)	(10,000)	11,317
Share of profit of associates	–	1,265	116	–	1,381
Tax expense	–	(1,667)	–	–	(1,667)
Reportable segment assets	371,003	100,182	606,574	(588,510)	489,249
Associates	–	8,001	5,275	–	13,276
Capital expenditure*	1,258	1,075	186	–	2,519
Reportable segment liabilities	386,707	28,740	27,062	(406,903)	35,606
31 December 2013					
Total revenue from external customers	–	22,408	96	–	22,504
Inter-segment revenue	–	–	10,000	(10,000)	–
Interest income	–	649	–	–	649
Depreciation and amortisation	40	1,424	39	–	1,503
Reportable segment profit/ (loss) before tax	1,641	380	4,751	(10,000)	(3,228)
Share of loss of associates	–	(202)	(323)	–	(525)
Tax (expense)/credit	–	(746)	2	–	(744)
Reportable segment assets	374,470	79,448	609,026	(574,013)	488,931
Associates	–	7,380	13,070	–	20,450
Capital expenditure*	193,104	294	21	–	193,419
Reportable segment liabilities	372,450	28,577	26,665	(392,718)	34,974

* Comprises property, plant and equipment of $2,485,000 (2013: $2,680,000) and expenditure on investment property of $34,000 (2013: $190,739,000).

Geographical segments

The operations of the Group are principally located in Singapore.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of revenue sources. Segment assets are based on the geographical location of the assets.

	Singapore $'000	Malaysia $'000	Other countries $'000	Total $'000
31 December 2014				
Revenue	59,557	6,087	21,588	87,232
Non-current assets #	137,766	189,673	2,479	329,918
Reportable segment assets	99,370	371,003	18,876	489,249
31 December 2013				
Revenue	11,828	–	10,676	22,504
Non-current assets #	159,065	193,065	2,752	354,882
Reportable segment assets	97,823	374,470	16,638	488,931

Include property, plant and equipment, intangible assets and goodwill, investment property and interests in associates.

Reconciliation of reportable segment profit or loss, assets and liabilities and other material items

	2014 $'000	2013 $'000
Profit or loss		
Total reportable segment profit/(loss) before tax	11,317	(3,228)
Unallocated amounts:		
- Impairment loss on goodwill	–	(221,244)
- Amortisation expense	(14,206)	(1,073)
- Fair value changes in purchase consideration payable	54,000	–
Consolidated loss before tax	51,111	(225,545)
Assets		
Total reportable segment assets	489,249	488,931
Unallocated amounts:		
- Goodwill	107,092	107,092
- Intangible assets	13,488	27,694
Consolidated total assets	609,829	623,717

	2014 $'000	2013 $'000
Liabilities		
Total reportable segment liabilities	35,606	34,974
Unallocated amounts:		
- Purchase consideration payable	72,750	126,750
Consolidated total liabilities	108,356	161,724

29 Acquisitions

On 25 September 2013, the Group completed the following acquisitions:

(i) Acquisition of the entire issued and paid up share capital of RSP Architects Planners & Engineers (Pte) Ltd pursuant to the terms and conditions of the sale and purchase agreement entered into between the Company and RSP Architects Planners & Engineers (Pte) Ltd in relation to the proposed RSP Acquisition ("RSP Acquisition Agreement"), to be satisfied by way of allotment and issuance of up to 1,250,000,000 ordinary shares.

The allotment and issuance of up to 1,250,000,000 ordinary shares comprise the following:

(a) 875,000,000 ordinary shares being the consideration for the entire issued share capital of the RSP Sub-Group upon completion of the RSP Acquisition; and

(b) Number of shares up to 375,000,000 ordinary shares upon RSP Sub-Group meeting certain earn-out targets based on earn-out formula as described in the RSP Acquisition Agreement ("contingent consideration").

(ii) Acquisition of part of the parcels of vacant land located within the Iskandar Development Region, Johor Bahru, Malaysia, measuring approximately 9.23 hectares (the "Land") from Vantage Bay Sdn. Bhd. pursuant to the terms and conditions of the sale and purchase agreement entered into between the Company and Vantage Bay Sdn. Bhd., by way of allotment and issuance of 2,386,666,666 ordinary shares.

(collectively known as "the Acquisitions").

The Company is transforming into an integrated multi-discipline real estate business and believes that the acquisition of RSP will bring synergies and that RSP's expertise in architecture, urban-planning and engineering will maximise the potential of the land which it had acquired at the same time.

The following summarises the major class of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred:

RSP Acquisition

	$'000
Equity instruments issued (875,000,000 ordinary shares)	295,750,000
Contingent consideration	126,750,000
	422,500,000

Equity instruments issued

The fair value of the ordinary shares was based on the listed share price of the Company, adjusted for effects of warrants issuance in relation to the Acquisition on 25 September 2013 of $0.338 per share.

Contingent consideration

In conjunction with the RSP Acquisition, the payment of the contingent consideration to the vendors is subject to the RSP Sub-Group achieving certain earn-out Targets based on RSP Sub-Group's cumulative net operating profit after tax for financial years ended 31 December 2013 and 31 December 2014; and financial year ending 31 December 2015.

Land Acquisition

The Land Acquisition was recognised based on the fair value of the Land at the acquisition date.

Identifiable assets acquired and liabilities assumed

	Note	$'000
Associates		7,575
Cash and cash equivalents		19,320*
Property, plant and equipment	4	6,349
Intangible assets		28,767
Investment property		183,690
Development properties		174,310
Work-in-progress		22,165
Other investments		6,811
Trade and other receivables		22,502
Derivatives	10	4,595
Excess of progress billings over work-in-progress		(5,433)
Current tax liabilities		(4,348)
Deferred tax liabilities		(5,041)
Trade and other payables		(9,098)
Total identifiable net assets		452,164
Goodwill arising from acquisition	5	328,336
Total purchase consideration		780,500
Issuance of shares as consideration		(653,750)
Purchase consideration payable	18	(126,750)
		–
Cash and cash equivalents acquired		18,481
Net cash flows on acquisition		18,481

* Includes fixed deposits with maturities of more than 3 months of $839,000.

The trade receivables comprise gross contractual amounts due of $23,613,000, of which $1,111,000 was estimated to be uncollectible at the acquisition date.

From the date of acquisition to 31 December 2013, RSP Sub-Group contributed revenue of $22,408,000 and profit for the period of $1,200,000 to the Group's results. If the acquisition had occurred on 1 April 2013, the Group's revenue for the period ended 31 December 2013 would have increased by $45,185,000 and loss for the period would have decreased by $17,681,000.

Acquisition related costs

The Group incurred acquisition-related costs of $3,189,000 related to external professional fees. These costs were included in other expenses in the Group's statement of comprehensive income.

30 Share options

The Company has a share option scheme known as the Rowsley Group Share Option Scheme 2012 (the "Scheme") which was approved by shareholders at an extraordinary general meeting of the Company ("EGM") held on 26 June 2012.

The Scheme is administered by a committee which consists of directors of the Company. A member of the committee who is also a participant of the Scheme shall not be involved in the deliberation in respect of options to be granted to him. Subject to the absolute discretion of the committee, participants who have attained the age of 21 years on or prior to the relevant date of grant, are not undischarged bankrupts, have not entered into a composition with their respective creditors, and, where applicable, who have, as of the date of grant, been in the employment of the Group for a period of at least 12 months, or such shorter period as the committee may determine, and non-executive directors who, in the opinion of the committee, have contributed or will contribute to the success of the Group, shall be eligible to participate in the Scheme. Under the Scheme, the aggregate number of shares over which the committee may offer to grant options on any date, when added to the number of new ordinary shares issued and/or issuable and/or existing shares transferred and/or transferable in respect of the options granted under the Scheme and in respect of all other share-based incentive schemes of the Company, if any, shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) of the Company on the date immediately preceding the date of grant. The maximum duration of the Scheme is ten (10) years commencing on the date the approval was granted by shareholders at the EGM on 26 June 2012.

The exercise price for each ordinary share in respect of which an option is exercisable shall be determined by the committee as follows:

(a) at the market price; or

(b) at a price which is set at a discount to the market price, the quantum of such discount to be determined by the committee in its absolute discretion, provided that the maximum discount which may be given in respect of any option shall not exceed 20% of the market price.

Upon the exercise of an option, the Company may either allot and issue new shares and/or transfer treasury shares to the option holder in accordance with the rules of the Scheme. Options granted with the exercise price set at the market price shall be exercisable one (1) year after the date of grant of that option. Options granted with exercise price set at a discount to market price shall only be exercisable two (2) years after the date of grant of that option.

An option shall, to the extent unexercised, immediately lapse and become null and void upon the occurrence of certain events:

(a) the option holder ceasing to be in the employment of the Group or a non executive director for any reason whatsoever;

(b) the bankruptcy of the option holder or the happening of any other event which result in his being deprived of the legal or beneficial ownership of such option; or

(c) in the event of misconduct on the part of the option holder, as determined by the committee in its absolute discretion.

As at the date of this report, there were no unissued shares under Scheme. No options under the Schemes were granted during the current financial year and no options were granted to employees of the Company and its related corporations.

31 Subsequent event

On 11 February 2015, the Group entered into a Heads of Terms Agreement with Hoang Anh Gia Lai ("HAGL") Joint Stock Company, a company listed on Vietnam Ho Chi Minh stock exchange, to invest USD275 million for a 50% stake in a mixed-used development in Yangon, Myanmar. The detailed terms and conditions for the joint venture are to be agreed in due course and shall be subject to, amongst other things, due diligence and all required regulatory approval and therefore, the Group is currently unable to estimate the financial effects of this transaction.

32 Comparative information

The Company changed its financial year-end from 31 March to 31 December during the last financial period. The comparative figures in the financial statements relates to the period from 1 April 2013 to 31 December 2013.