



Scorpio East Holdings Ltd.

Incorporated in the Republic of Singapore on 24 November 2004 with Company Registration Number 200415164G

Invitation in respect of 28,600,000 ordinary Shares comprising 24,800,000 New Shares and 3,800,000 Vendor Shares as follows:

- (a) 2,860,000 Offer Shares at \$0.21 for each Offer Share by way of public offer; and
- (b) 25,740,000 Placement Shares by way of placement, comprising:
 - (i) 22,880,000 Placement Shares at \$0.21 for each Placement Share; and
 - (ii) 2,860,000 Reserved Shares at \$0.21 for each Reserved Share reserved for our employees, business associates and those who have contributed to the success of our Group, payable in full on application.

PROSPECTUS DATED 7 March 2006

Registered by the Monetary Authority of Singapore on 7 March 2006

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser.

We have applied to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for permission to deal in and for quotation of all our ordinary shares (the "Shares") in the capital of Scorpio East Holdings Ltd. (the "Company") already issued (including the Vendor Shares as defined on page 10 of this Prospectus) and the new Shares which are the subject of this Invitation (the "New Shares"). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST Dealing and Automated Quotation System (the "SGX Sesdaq"). Our acceptance of applications will be conditional upon issue of the New Shares and permission being granted to deal in and for quotation of all of our existing issued Shares (including the Vendor Shares) and the New Shares. If the said permission is not granted for any reason, moneys paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom and you will not have any claims whatsoever against us, the Vendors, the Manager, the Underwriter and the Placement Agent. The dealing in, and quotation of, the Shares will be in Singapore dollars. No Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX Sesdaq is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "Authority"). The Authority assumes no responsibility for the contents of the Prospectus. Registration of the Prospectus by the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the shares or units of shares, as the case may be, being offered for investment.

Investing in our Shares involves risks which are described under "Risk Factors" beginning on page 32 of this Prospectus. In particular, you should note that we are dependent on TVBI as our major supplier, which accounted for approximately 68% of our total revenue and approximately 70% of our gross profit in FY2005.

Manager



PROVENANCECAPITAL

Provenance Capital Pte. Ltd.

Underwriter and Placement Agent



CIMB-GK Securities Pte. Ltd.



▶▶ CORPORATE PROFILE

We are principally engaged in the distribution of Chinese language video entertainment programmes in Singapore, comprising both serial programmes and single title video programmes. We also distribute selected video programmes (other than TVB serial programmes) to Malaysia by granting distribution rights for the Malaysia territory to our sub-distributors.

Serial programmes

We distribute the video of Chinese language serial programmes that are produced by Hong Kong's Television Broadcasts Limited ("TVB"), China Central Television ("CCTV"), Singapore's MediaCorp Studios Pte Ltd ("MediaCorp Studios"), Taiwanese and Korean producers.

Single title video programmes

We obtain the video distribution rights from various content producers and film distributors for a wide variety of home entertainment video programmes, which are principally Chinese language single movies. We also obtain video distribution rights for other types of single title video programmes such as Chinese language concerts, variety shows and English language children's programmes.

In October 2005, we obtained the video distribution rights from Buena Vista Home Entertainment, Inc. ("BVHE"), a subsidiary of the Walt Disney Company, to manufacture and distribute VCD and to distribute DVD of titles released by BVHE in Singapore.

We constantly seek new areas to grow our business starting with opportunities that are complementary to our core business. We have invested in content production (e.g. "I Not Stupid Too") and VCD/DVD replication facilities.

▶▶ OUR PRODUCTS

Serial Programmes

TVB serial programmes

TVB, one of the largest producers of Chinese language programmes in the world

Other serial programmes

CCTV, China's largest national TV network
MediaCorp Studios, a television broadcaster in Singapore,
Taiwanese and Korean producers

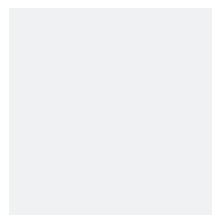
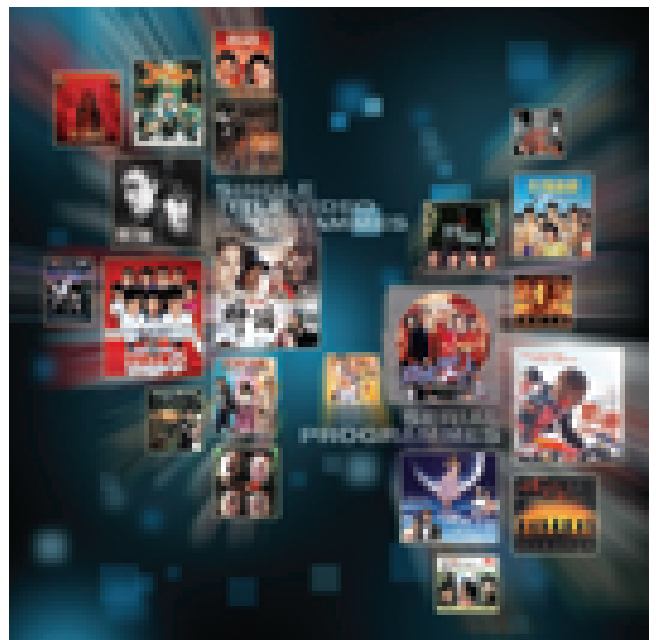
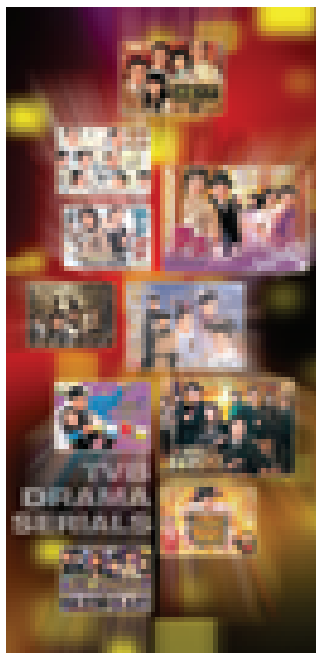
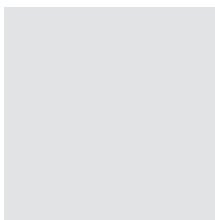
Single Title Video Programmes

Chinese language

Raintree Pictures, Shaw Renters, Fortune Star etc.

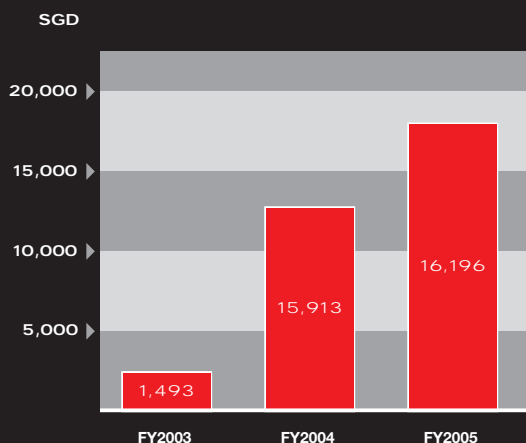
Other languages

Buena Vista Home Entertainment, Inc.



FINANCIAL HIGHLIGHTS

Turnover FY2003-FY2005



Net Profit After Tax FY2003-FY2005



COMPETITIVE STRENGTHS

Extensive video distribution network in Singapore

- We distribute our products via more than 160 retail outlets throughout Singapore.

Good relationships with major licensors

- We have good business relationships with major licensors, such as TVBI, Shaw Renters, MediaCorp Studios, Raintree Pictures, Fortune Star, Regentact and Harvest Ocean.

Experienced management team

- Our CEO, Mr John Ho, has been in the video distribution business for over 20 years.
- He is supported by a dedicated and dynamic management team, most of whom have more than ten years of experience in their respective fields.

Strong order book

- As at the Latest Practicable Date, we have secured committed minimum guaranteed sub-licence fees and purchases of TVB serial programmes on video amounting to approximately \$8.2 million from our sub-licensees and resellers respectively.



- Scorpio East TVB Authorised Outlets
- Other Scorpio East Authorised Outlets

▶▶ PROSPECTS

TVB serial programmes

- We believe that TVB serial programmes will continue to enjoy good demand amongst viewers in Singapore.

Non-Chinese language video market

- The increasing popularity of non-Chinese language films, such as Thai, Hindi and Tamil films, offers us an opportunity to tap on the non-Chinese language video market due to Singapore's multi-racial society.

Content production and sourcing

- Through co-investment in the production of a film, we gain an advantage over our competitors in securing the distribution rights for the film.

Growth in South East Asian Market

- We believe that a growing affluent population in South East Asia will drive the growth in the video entertainment market in South East Asia.

Liberalisation of censorship rules

- Implementation of NC16 and M18 classification for videos presents opportunities for us to offer a wider selection of video products for the local market.

Opportunities from technology advancements

- Technological advancement in video distribution presents opportunities in new delivery modes (e.g. via 3G mobile).

▶▶ FUTURE PLANS

Acquisition of distribution rights for new single movies and non-TV drama series

- Secure distribution rights for both Chinese and non-Chinese language single movies and drama series including non-TV drama series
- Acquire cinematic rights, television broadcasting rights and other distribution rights for suitable programmes
- Acquire such distribution rights both within and outside Singapore

Involvement in content production

- Co-invest in film production and provide services as a film producer

Increase in advertising and promotional activities

- Increase our advertising and promotional activities in Singapore to promote the video products offered by us

Tapping on new revenue stream by leveraging on our existing network of suppliers

- Offer advertisers an alternative platform to advertise and promote their products or services through the video distributed by us to the Singapore public and to increase such activities as a new revenue stream
- Negotiate for distribution rights with our existing network of suppliers in anticipation of the distribution of video content via electronic means

Expansion of business through strategic alliances, joint ventures or mergers and acquisitions

- Expand our business via strategic alliances, joint ventures or mergers and acquisitions with companies that offer a synergistic fit



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CORPORATE INFORMATION

Board of Directors	:	Yee Kit Hong Ho Ah Huat Lian Lee Lee Dr Chong Weng Chiew Chia Hoo Khun Valery Kelvin	<i>Non-Executive Chairman and Independent Director Chief Executive Officer and Executive Director Executive Director Independent Director Independent Director</i>
Company Secretary	:	Serene Wee Ai Yin, LLB (Hons)	
Registered Office	:	6 Harper Road #02-01 Leong Huat Building Singapore 369674	
Share Registrar and Share Transfer Office	:	Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) 8 Cross Street #11-00 PWC Building Singapore 048424	
Company Registration Number	:	200415164G	
Manager	:	Provenance Capital Pte. Ltd. 138 Cecil Street #09-01 Cecil Court Singapore 069538	
Underwriter and Placement Agent	:	CIMB-GK Securities Pte. Ltd. 50 Raffles Place #19-00 Singapore Land Tower Singapore 048623	
Auditors and Reporting Accountants	:	Deloitte & Touche Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower 2 Singapore 068809 Partner-in-charge: Cheung Pui Yuen (a member of the Institute of Certified Public Accountants of Singapore)	
Solicitors to the Invitation	:	Loo & Partners 88 Amoy Street Level Three Singapore 069907	
Principal Bankers	:	Oversea-Chinese Banking Corporation Limited 65 Chulia Street #29-02/04 OCBC Centre Singapore 049513 Malayan Banking Berhad 2 Battery Road Maybank Tower Singapore 049907	

Receiving Banker : The Bank of East Asia, Limited
137 Market Street
Bank of East Asia Building
Singapore 048943

Vendors : Lian Poh Heng
No 10 Jalan Suria Taman Suria 8
81100 Johor Bahru
Malaysia

Pang Ee Ni
No 37 Jalan Dedap 46
Taman Johor Jaya
81100 Johor Bahru
Malaysia

Quek Yeen Yeen Serene
131 Bedok North Avenue 3
#13-118
Singapore 460131

DEFINITIONS

In this Prospectus and the accompanying Application Forms, the following definitions apply where the context so admits:

Group Companies

<i>“Group” or “Proforma Group”</i>	:	Our Company and its subsidiaries as at the date of this Prospectus treated as if our group structure had been in place since 1 May 2002
<i>“Company”</i>	:	Scorpio East Holdings Ltd.
<i>“Scorpio East”</i>	:	Scorpio East Entertainment Pte. Ltd.
<i>“SEM”</i>	:	Scorpio East Multimedia Pte. Ltd.
<i>“SEP”</i>	:	Scorpio East Pictures Pte. Ltd.
<i>“SEP(HK)”</i>	:	Scorpio East Pictures (H.K.) Limited
<i>“SESB”</i>	:	Scorpio East Entertainment Sdn. Bhd.

Other Companies, Corporations or Organisations

<i>“Authority”</i>	:	Monetary Authority of Singapore
<i>“CCTV”</i>	:	China Central Television
<i>“CDP”</i>	:	The Central Depository (Pte) Ltd
<i>“CITVC”</i>	:	China International TV Corporation
<i>“CPF”</i>	:	The Central Provident Fund
<i>“Fortune Star”</i>	:	Fortune Star Entertainment (HK) Limited
<i>“Harvest Ocean”</i>	:	Harvest Ocean Ltd
<i>“HDB”</i>	:	Housing Development Board
<i>“MediaCorp Studios”</i>	:	MediaCorp Studios Pte Ltd
<i>“Manager”</i>	:	Provenance Capital Pte. Ltd.
<i>“Placement Agent” and “Underwriter”</i>	:	CIMB-GK Securities Pte. Ltd.
<i>“Poh Kim”</i>	:	Poh Kim Video Pte Ltd
<i>“Raintree Pictures”</i>	:	MediaCorp Raintree Pictures Pte Ltd (formerly known as Raintree Pictures Pte Ltd)
<i>“Regentact”</i>	:	Regentact International Co., Ltd
<i>“SCCS”</i>	:	Securities Clearing & Computer Services (Pte) Ltd
<i>“SGX Sesdaq”</i>	:	SGX-ST Dealing and Automated Quotation System

“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shaw Renters”	:	Shaw Renters (Singapore) Pte. Limited, a related corporation of The Shaw Organisation Pte Ltd
“Speedy Video”	:	Speedy Video Distributors Sdn Bhd
“TS Digital Laser”	:	TS Digital Laser Pte. Ltd. (formerly known as J & H Digital Laser Pte Ltd)
“TS Group”	:	Includes TS Digital Laser, TS Laser Pte Ltd, TS Video & Laser Pte Ltd, TS Vision Pte Ltd, TS Entertainment Pte Ltd and such other companies as are associated with them
“TVB”	:	Television Broadcasts Limited
“TVBI”	:	TVBI Company Limited
“TVBO”	:	TVBO Facilities Limited
“Vendors”	:	Lian Poh Heng, Pang Ee Ni and Quek Yeen Yeen Serene

General

“Act” or “Companies Act”	:	Companies Act (Chapter 50) of Singapore
“Application Forms”	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
“Application List”	:	The list of applications to subscribe for and/or purchase the Invitation Shares
“Associate”	:	<p>(a) in relation to an entity, means:–</p> <p>(i) in a case where the entity is a substantial shareholder, controlling shareholder, substantial interest-holder or controlling interest-holder, its related corporation, related entity, associated company or associated entity; or</p> <p>(ii) in any other case, (A) a director or an equivalent person, (B) where the entity is a corporation, a controlling shareholder of the entity, (C) where the entity is not a corporation, a controlling interest-holder of the entity, (D) a subsidiary, a subsidiary entity, an associated company, or an associated entity, or (E) a subsidiary, a subsidiary entity, an associated company, or an associated entity, of the controlling shareholder or controlling interest-holder, as the case may be,</p> <p>of the entity; and</p> <p>(b) in relation to an individual, means:–</p> <p>(i) his immediate family;</p>

- (ii) a trustee of any trust of which the individual or any member of the individual's immediate family is a beneficiary or, where the trust is a discretionary trust, a discretionary object, when the trustee acts in that capacity; or
- (iii) any corporation in which he and his immediate family (whether directly or indirectly) have interests in voting shares of an aggregate of not less than 30% of the total votes attached to all voting shares

<i>"ATM"</i>	:	Automated teller machine of a Participating Bank
<i>"business trust"</i>	:	Has the same meaning as in Section 2 of the Business Trusts Act 2004 of Singapore
<i>"Controlling Shareholder"</i>	:	A person who has an interest in our Shares of an aggregate of not less than 15% of the total votes attached to all our Shares, or in fact exercises control over our Company
<i>"CEO"</i>	:	Chief Executive Officer
<i>"Directors"</i>	:	The directors of our Company as at the date of this Prospectus
<i>"Electronic Application"</i>	:	Application for the Offer Shares made through an ATM or IB website (as the case may be) of one of the Participating Banks on the terms and subject to the conditions of this Prospectus
<i>"entity"</i>	:	Includes a corporation, an unincorporated association, a partnership and the government of any state, but does not include a trust
<i>"EPS"</i>	:	Earnings per Share
<i>"Executive Directors"</i>	:	The executive directors of our Company as at the date of this Prospectus
<i>"Executive Officers"</i>	:	The executive officers of our Group as at the date of this Prospectus, including our key executives who make or participate in making decisions that affect the whole or a substantial part of our business or have the capacity to make decisions which affect significantly our financial standing
<i>"FY"</i>	:	Financial year ended or, as the case may be, ending 30 April
<i>"Greater China"</i>	:	Hong Kong, the PRC and Taiwan
<i>"GST"</i>	:	Goods and services tax
<i>"Hong Kong"</i>	:	The Hong Kong Special Administrative Region of the PRC
<i>"IB website"</i>	:	Internet banking website of DBS Bank and the UOB Group
<i>"Independent Directors"</i>	:	The independent directors of our Company as at the date of this Prospectus

<i>“Invitation”</i>	:	The invitation by our Company and the Vendors to the public to subscribe for and/or purchase the Invitation Shares upon the terms of and subject to the conditions set out in this Prospectus
<i>“Invitation Price”</i>	:	\$0.21 for each Invitation Share
<i>“Invitation Shares”</i>	:	The 28,600,000 Shares which are the subject of this Invitation, comprising 24,800,000 New Shares and 3,800,000 Vendor Shares
<i>“Latest Practicable Date”</i>	:	9 January 2006, being the latest practicable date prior to the lodgement of this Prospectus with the Authority
<i>“Listing Manual”</i>	:	The Listing Manual of the SGX-ST
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“NAV”</i>	:	Net asset value
<i>“New Shares”</i>	:	The 24,800,000 new Shares for which our Company invites applications to subscribe pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus
<i>“Non-Executive Directors”</i>	:	The non-executive directors of our Company (including Independent Directors) as at the date of this Prospectus
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer”</i>	:	The invitation by our Company and the Vendors to the public in Singapore for subscription and/or purchase of the Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Offer Shares”</i>	:	The 2,860,000 Invitation Shares which are the subject of the Offer
<i>“Participating Banks”</i>	:	DBS Bank Ltd (including POSB) (“DBS Bank”), Oversea-Chinese Banking Corporation Limited (“OCBC Bank”) and United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (the “UOB Group”)
<i>“Placement”</i>	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company and the Vendors for subscription at the Invitation Price, subject to and on the terms and conditions of this Prospectus
<i>“Placement Shares”</i>	:	The 25,740,000 Invitation Shares (including the Reserved Shares) which are the subject of the Placement
<i>“PRC”</i>	:	People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purposes of this Prospectus
<i>“Reserved Shares”</i>	:	2,860,000 of the Placement Shares reserved for our employees, business associates and those who have contributed to the success of our Group
<i>“Restructuring Exercise”</i>	:	The restructuring exercise undertaken by our Group as described on pages 58 and 59 of this Prospectus
<i>“SARS”</i>	:	Severe acute respiratory syndrome

<i>“Securities Account”</i>	:	The securities account maintained by a Depositor with CDP (excluding a securities sub-account)
<i>“Securities and Futures Act”</i>	:	Securities and Futures Act (Chapter 289) of Singapore
<i>“Service Agreements”</i>	:	The service agreements set out on pages 103 and 104 of this Prospectus
<i>“Shares”</i>	:	Ordinary shares in the capital of our Company
<i>“Share Consolidation”</i>	:	Consolidation of three ordinary shares of \$1.00 each in our authorised and issued share capital into one ordinary share of \$3.00 as described in paragraph (i) under the section on “Share Capital” at page 57 of this Prospectus
<i>“Share Split”</i>	:	The sub-division of one ordinary share of \$3.00 into 50 ordinary shares of \$0.06 each as described in paragraph (ii) under the section on “Share Capital” at page 57 of this Prospectus
<i>“Shareholders”</i>	:	Registered holders of our Shares
<i>“Substantial Shareholder”</i>	:	A person who holds directly or indirectly 5% or more of the total share capital in our Company
<i>“TVB classic sell-through titles”</i>	:	TVB serial programmes that are contained in VCD for sale in Singapore
<i>“TVBI Licence Agreements”</i>	:	Refers collectively to the video compact disc distribution agreement entered with TVBI dated 5 July 2005, the licence agreement entered with TVBI dated 5 July 2005, the prints and materials agreement entered with TVBO dated 5 July 2005 and other supplemental and ancillary documents and agreements for the licence period from 1 May 2005 to 30 April 2007
<i>“unrelated third party”</i>	:	A person who is not related to any of our Directors or Substantial Shareholders
<i>“USA”</i>	:	The United States of America
<i>“Vendor Shares”</i>	:	The 3,800,000 issued and fully paid-up Shares for which the Vendors invite applications to purchase at the Invitation Price, subject to and on the terms and conditions of this Prospectus

Currencies, Units and Others

<i>“m”</i>	:	Metre
<i>“n.a.”</i>	:	Not applicable
<i>“n.m.”</i>	:	Not meaningful
<i>“sq ft”</i>	:	Square feet
<i>“HK\$”</i>	:	Hong Kong dollars
<i>“RM”</i>	:	Malaysia Ringgit

“S\$” or “\$” and “cents” : Singapore dollars and cents respectively

“%” or “per cent.” : Per centum or percentage

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

The terms “associated company”, “associated entity”, “controlling interest-holder”, “controlling shareholder”, “related corporation”, “related entity”, “subsidiary”, “subsidiary entity” and “substantial interest-holder” shall have the same meanings ascribed to them respectively in the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

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

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

Any reference in this Prospectus, the Application Forms and Electronic Applications to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act or any statutory modification thereof and used in this Prospectus, the Application Forms and Electronic Applications shall, where applicable, have the meaning ascribed to it under the Companies Act, the Securities and Futures Act or any statutory modification thereto, as the case may be.

Any reference in this Prospectus, the Application Forms and Electronic Applications to Shares being allotted to an applicant includes allotment to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus is a reference to Singapore time.

Any reference to “we”, “us” and “our” in this Prospectus is a reference to our Company, our Group or any member of our Group as the context requires.

Any reference in this Prospectus to John Ho refers to Ho Ah Huat.

Any reference in this Prospectus to Venessa Lian refers to Lian Lee Lee.

GLOSSARY OF TECHNICAL TERMS

For the purpose of this Prospectus, the following technical terms and abbreviations have, where appropriate, been used:

“AC-3”	:	Dolby digital audio coding system 3
“CD-R”	:	Compact disc-recordable, a write once non-erasable compact disc that allows audio, video and data signal to be recorded and replayed
“Chinese language”	:	Cantonese or Mandarin
“DLT”	:	Digital linear tape, a media device storing information for use in making a stamper
“DTS”	:	Digital theatre system, a technology which features wide frequency and dynamic ranges for sound effects
“drama serial”	:	A long drama programme usually with domestic themes shown in episodes or series, commonly known as soap opera
“DVD”	:	Digital versatile disc, using the MPEG2 format to compress the signal which can be decoded with a specialised reproduction apparatus for viewing on a television screen or other display devices
“free-TV”	:	Television programmes that are broadcast by television stations which can generally be viewed without having to make any subscription payments
“MPEG”	:	Moving Pictures Experts Group, an encoding technology for the compression of video and audio signals, where MPEG1 refers to the encoding standard for VCD, and MPEG2 refers to the encoding standard for DVD
“Pay Per View”	:	Television programmes that are offered to viewers where viewers pay to view their selected programmes without having to make subscription payments for the whole channel
“Pay-TV”	:	A service offered by television stations that allows subscribers to view programmes by making subscription payments (such as cable TV)
“single movie”	:	A cinema film broadcasting a single motion picture
“VCD”	:	Video compact disc, using the MPEG1 format to compress the signal which can be decoded with a specialised reproduction apparatus for viewing on a television screen or other display devices
“VCR”	:	Video cassette recorder
“VHS”	:	Video cassette, a magnetic storage device on which video programmes are recorded and replayed for viewing on a television screen
“video”	:	Recording medium such as VHS, VCD or DVD for the storage of video programmes

- “Video library”* : A collection of video programmes maintained by a producer, distributor or video retailer
- “Video-On-Demand”* : A service that enables viewers to select a video programme and have it sent to them over a channel via cable or satellite television network
- “3G technology”* : Third generation wireless communications technology. 3G wireless networks are capable of providing high-speed mobile access to multimedia services

Words importing the singular shall, where applicable, include the plural and *vice versa*.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers, or employees acting on our behalf that are not statements of historical fact constitute “forward-looking statements.” You can identify some of these forward-looking statements by terms such as “expects”, “believes”, “plans”, “intends”, “estimates”, “anticipates”, “may”, “will”, “would” and “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to:

- (a) our revenue and profitability;
- (b) expected growth in demand;
- (c) expected growth in our production capacity;
- (d) expected industry trends;
- (e) anticipated completion and start up dates for expansion projects; and
- (f) other matters discussed in this Prospectus regarding matters that are not historical fact,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

- (a) changes in political, social and economic conditions and the regulatory environment in Singapore and other countries in which we conduct our business;
- (b) changes in currency exchange rates;
- (c) our anticipated growth strategies and expected internal growth;
- (d) changes in the availability and prices of raw materials we need to operate our business;
- (e) changes in customer preferences;
- (f) changes in competitive conditions and our ability to compete under these conditions;
- (g) changes in our future capital needs and the availability of financing and capital to fund these needs; and
- (h) any other factors that are beyond our control.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements which apply only as at the date of this Prospectus. Neither our Company, the Vendors, the Manager, the Underwriter, the Placement Agent nor any other person represents or warrants to you that our actual future results, performance or achievements will be as discussed in those statements.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of risks faced by us. Our Company, the Vendors, the Manager, the Underwriter and the Placement Agent disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual of the SGX-ST regarding corporate disclosure. In particular, pursuant to Section 241 of the Securities and Futures Act, if after the Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement in the Prospectus; (b) an omission from the Prospectus of any information that should have been included in it under Sections 243 of the Securities and Futures Act; or (c) a new circumstance that has arisen since the Prospectus was lodged with the Authority and would have been required by Sections 243 of the Securities and Futures Act to be included in the Prospectus, if it had arisen before the Prospectus was lodged and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase our Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of our Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of our Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by our Company, the Vendors, the Manager, the Underwriter and the Placement Agent to inform themselves about, and to observe and comply with, any such restrictions.

DETAILS OF THE INVITATION

LISTING ON THE SGX SESDAQ

We have applied to the SGX-ST for permission to deal in, and for quotation of, all our Shares already issued (including Vendor Shares) as well as the New Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX Sesdaq. Our acceptance of applications will be conditional upon issue of the New Shares and permission being granted to deal in, and for quotation of, all of our existing issued Shares (including the Vendor Shares) and the New Shares. If such permission is not granted for any reason, moneys paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom and you will not have any claim against us, the Vendors, the Manager, the Underwriter or the Placement Agent. No Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX Sesdaq is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our existing issued Shares (including the Vendor Shares) or our New Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the shares or units of shares, as the case may be, being offered for investment.

Pursuant to Section 241 of the Securities and Futures Act, if after this Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement in this Prospectus, (b) an omission from this Prospectus of any information that should have been included in it under Sections 243 of the Securities and Futures Act, or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Sections 243 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

Where applications to subscribe for and/or purchase the Invitation Shares have been made prior to the lodgement of the supplementary or replacement prospectus, we shall, within seven days from the date of lodgement of the supplementary or replacement prospectus, either:

- (a) provide the applicants with a copy of the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications, or
- (b) treat the applications as withdrawn and cancelled and pay to the applicants all moneys the applicants have paid on account of their applications for the Invitation Shares, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk.

Any applicant who wishes to exercise his option to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify us of this, whereupon we shall, within seven days from the receipt of such notification, pay to the applicant all moneys paid by him on account of his application for the Invitation Shares, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk.

Pursuant to Section 242 of the Securities and Futures Act, the Authority may issue a stop order if a prospectus that has been registered (i) contains any statement which, in the Authority's opinion, is false or misleading; (ii) omits any information that should have been included in it under Section 243 of the Securities and Futures Act; or (iii) does not in the Authority's opinion comply with the requirements of the Securities and Futures Act. In the event that the Authority issues a stop order, and applications to subscribe for and/or purchase the Invitation Shares have been made prior to the stop order, then:

- (a) where the New Shares have not been issued or allocated to the applicants, the applications for the New Shares shall be deemed to have been withdrawn and cancelled, and we shall, within 14 days from the date of the stop order, pay to the applicants all moneys the applicants have paid on account of their applications for the New Shares, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk; or
- (b) where the New Shares have been issued or allocated to the applicants, the issue or allocation of the New Shares shall be deemed to be void, and we shall, within 14 days from the date of the stop order, pay to the applicants all moneys paid by them for the New Shares, without interest or any share of revenue or other benefit arising therefrom and at the applicants' own risk; or
- (c) where the Vendor Shares have been sold to applicants, the sale of the Vendor Shares shall be deemed to be void and if documents purporting to evidence title have been issued to the applicants, we shall, on behalf of the Vendors, inform the applicants to return such documents to us within 14 days from that date and within seven days from the date of receipt of such documents (if applicable) or the date of the stop order, whichever is later, pay to the applicants all moneys the applicants have paid for the Vendor Shares.

This Prospectus has been seen and approved by our Directors and the Vendors, and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no material facts the omission of which would make any statements in the Prospectus misleading.

Neither our Company, the Vendors, the Manager, the Underwriter, the Placement Agent nor any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares for any other purpose. **This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or to purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation.**

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by our Company, the Vendors, the Manager, the Underwriter or the Placement Agent. Neither the delivery of this Prospectus and the Application Forms nor the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur, we may make an announcement of the same to the SGX-ST and if required under the Securities and Futures Act, a supplementary prospectus will be issued and made available to the public after a copy thereof has been lodged with the Authority. You should take note of any such announcement and/or supplementary prospectus and, upon release of such an announcement and/or supplementary prospectus, you shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, during office hours from:

Provenance Capital Pte Ltd
138 Cecil Street #09-01
Cecil Court
Singapore 069538

CIMB-GK Securities Pte. Ltd.
CIMB-GK Investment Centre
50 Raffles Place #01-01
Singapore Land Tower
Singapore 048623

and from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website <http://www.sgx.com>.

The Invitation will be open from 8 March 2006 to 21 March 2006 (12.00 noon).

The Application List will open at 10.00 am on 21 March 2006 and will remain open until 12.00 noon on the same day or such further period or periods as we may, in consultation with the Manager, decide, subject to any limitations under all applicable laws. Where a supplementary or replacement prospectus has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary or replacement prospectus.

Details of the procedure for applications to subscribe for and/or purchase the Invitation Shares are set out in Appendix H to this Prospectus.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for your reference:

Indicative date/time	Event
12.00 noon on 21 March 2006	Close of Application List
22 March 2006	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
9.00 a.m. on 23 March 2006	Commence trading on a "when issued" basis
30 March 2006	Last day of trading on a "when issued" basis
9.00 a.m. on 31 March 2006	Commence trading on a "ready" basis
5 April 2006	Settlement date for all trades done on a "when issued" basis and for trades done on a "ready" basis on 31 March 2006

The above timetable is only indicative as it assumes that the date of closing of the Application List is 21 March 2006, the date of admission of our Company to the Official List of the SGX Sesdaq is 23 March 2006, the shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 23 March 2006. The actual date on which our Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

In the event of any changes in the closure of the Application List or the shortening of the time period during which the Invitation is open, we will publicly announce the same:

- (i) through a SGXNET announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>; and
- (ii) in a local English language and/or Chinese language newspaper.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a “when issued” basis and the commencement date of such trading. All persons trading in our Shares on a “when issued” basis do so at their own risk. **In particular, persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares which neither they nor their nominees, as the case may be, have been allotted with or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if “when issued” trading ends sooner than the indicative date shown above. Persons who have a net sell position traded on a “when issued” basis should close their position on or before the first day of “ready” basis trading.**

Investors should consult the SGX-ST’s announcement on “ready” trading date on the Internet (at the SGX-ST website <http://www.sgx.com>) or the newspapers or check with their brokers on the date on which trading on a “ready” basis will commence.

We will provide details of the results of the Invitation through the channels in (i) and (ii) above.

PROSPECTUS SUMMARY

The information contained in this summary is derived from certain information found in greater detail elsewhere in this Prospectus and should be read in conjunction with the full text of this Prospectus.

OUR COMPANY AND ITS SUBSIDIARIES

Our Company was incorporated in Singapore on 24 November 2004 under the Companies Act as a private company limited by shares under the name of “Scorpio East Holdings Pte. Ltd.”. On 19 December 2005, our Company converted to a public company and changed its name to “Scorpio East Holdings Ltd.”.

Our Group comprises our Company and our subsidiaries, namely, Scorpio East, SEM, SEP, SEP(HK) and SESB.

Our registered office and principal place of business is located in Singapore at 6 Harper Road #02-01 Leong Huat Building Singapore 369674. Our contact and facsimile numbers are (65) 6282 7082 and (65) 6282 7061 respectively.

OUR BUSINESS

We are principally engaged in the distribution of Chinese language video entertainment programmes in Singapore, comprising both serial programmes and single title video programmes covering a wide genre, including action, thriller, horror and adventure. We also distribute selected video programmes (other than TVB serial programmes) to Malaysia by granting distribution rights for the Malaysia territory to unrelated third party sub-distributors.

We source and acquire video distribution rights mainly for suitable motion pictures or drama serials that are mainly produced in Hong Kong, Singapore, Taiwan and the PRC. We distribute TVB serial programmes (mainly drama serials) on video through our sub-licensees and resellers who operate approximately 168 retail outlets in Singapore as at 31 October 2005. We distribute other drama serials and single title video programmes mainly through the various retail outlets of the TS Group, Poh Kim, Popular Holdings Limited, Sembawang Music Holdings Ltd, HMV Singapore Pte Ltd and Carrefour Singapore Pte Ltd located in different parts of Singapore.

In addition to video distribution rights, we have, since 2004, acquired the rights to distribute certain single movies to television stations (both Pay-TV and free-TV) for broadcasting in Malaysia and/or Brunei. As at the Latest Practicable Date, these television broadcasting rights are distributed to the Malaysia television stations mainly through Speedy Video and Harvest Ocean, our sub-distributors.

To complement our video distribution business, we have just started to be involved in content production, replication of VCD and DVD and the provision of advertising through the video medium.

OUR COMPETITIVE STRENGTHS

Our Directors consider the following to be our competitive strengths:

We distribute our video products through an extensive video distribution network in Singapore

We distribute TVB serial programmes (mainly drama serials) on video through our sub-licensees and resellers who operate approximately 168 retail outlets in Singapore, strategically located in HDB estates and suburban shopping centres as at 31 October 2005. We distribute other drama serials and single title video programmes through the various retail outlets of the TS Group, Poh Kim, Popular Holdings Limited, Sembawang Music Holdings Ltd, HMV Singapore Pte Ltd and Carrefour Singapore Pte Ltd. Through such video distribution channels, our video products are able to reach different segments of the consumer market in different parts of Singapore.

We build on existing relationships with major licensors of drama serials and films to secure new distribution rights

Our network and good business relationships with major licensors, such as TVBI, Shaw Renters, MediaCorp Studios, Raintree Pictures, Fortune Star, Regentact and Harvest Ocean, have enabled us to secure distribution rights for new and popular films distributed by them as well as serving as a track record for us in garnering potential new major licensors.

We have a strong management team

Our Group is led by our CEO and Executive Director, John Ho, who has been in the video distribution business for over 20 years. John Ho possesses in-depth knowledge of the video distribution business and has established close business relationships with major Chinese language film licensors. He is supported by a dedicated and dynamic management team, most of whom have more than ten years of experience in their respective fields.

We have a strong order book

As at the Latest Practicable Date, we have secured committed minimum guaranteed sub-licence fees and purchases of TVB serial programmes on video amounting to approximately \$8.2 million, which are payable or to be fulfilled on a periodic basis over the remaining period of the term under the respective sub-licence or reseller agreements, where approximately 37% of the said amount will be recognised as revenue during the remaining period of FY2006, barring unforeseen circumstances.

Please refer to the section on “Competitive Strengths” on pages 80 and 81 of this Prospectus for further details.

OUR FUTURE PLANS

We intend to grow our business by:

Acquisition of distribution rights for new single movies and non-TV drama serials

We intend to secure distribution rights for more Chinese language single movies and non-TV drama serials by leveraging on the close business relationships that we have built up with major licensors over the years. In addition to video distribution rights, we intend to acquire other distribution rights, including cinematic rights and television broadcasting rights. We also intend to increase the variety of video programmes that we offer to include English and foreign language single movies and drama serials.

Involvement in content production

It is our business strategy to engage in content production via co-investment in film production and the provision of services as a film producer, where we gain an early opportunity ahead of our competitors to secure the distribution rights in the film for theatrical release, television broadcasting and video distribution. We intend to explore opportunities to co-invest in the production of other Chinese language single movies that are produced by independent production houses in the Greater China and other parts of Asia, such as Thailand, Korea and Japan.

Increase in advertising and promotional activities

We intend to increase our advertising and promotional activities in Singapore to promote the video products offered by us. The popularity of the video products offered by us will help increase the revenue of our sub-licensees and resellers, which will in turn improve our financial performance. Further, it will help us attract new sub-licensees and resellers to retail video containing programmes distributed by us, hence strengthening our video distribution channels in Singapore.

Tapping on new revenue stream by leveraging on our existing network of suppliers

We have started offering advertisers an alternative platform to advertise and promote their products or services through the video distributed by us and to increase such activities as a new revenue stream.

In addition, with the rapid development of technology, video programmes can be distributed via electronic means or cable TV in the form of Video-On-Demand or Pay Per View method. We intend to tap on our existing network of suppliers of video programmes by negotiating for such rights of distribution in the event that distribution of video content via electronic means gain popularity in Singapore.

Expansion of business through strategic alliances, joint ventures or mergers and acquisitions

To further expand our business, we may enter into strategic alliances, joint ventures or mergers and acquisitions with companies that provide services and products that are complementary to or that may offer a synergistic fit to our existing operations or our growth plans. Presently, our Group does not have any specific initiatives or plans with regard to any investment in strategic alliances, joint ventures or mergers and acquisitions.

Please refer to the section on “Our Future Plans” on pages 91 and 92 of this Prospectus for further details.

THE INVITATION

- Invitation Size : 28,600,000 Invitation Shares comprising 24,800,000 New Shares and 3,800,000 Vendor Shares offered in Singapore by way of public offer comprising 2,860,000 Offer Shares and placement comprising 25,740,000 Placement Shares. The New Shares, upon issue and allotment, will rank *pari passu* in all respects with the existing issued Shares.
- Invitation Price : \$0.21 for each Invitation Share.
- Purpose of the Invitation : Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX Sesdaq will enhance our public image and enable us to tap the capital markets to raise equity funds for our business growth. The Invitation will also provide members of the public, our employees, business associates and those who have contributed to the success of our Group, with an opportunity to participate in the equity of our Company.
- Listing Status : Our Shares will, subject to admission of our Company to the Official List of the SGX Sesdaq, and permission for dealing in and quotation of our Shares being granted by the SGX-ST, be quoted on the SGX Sesdaq.
- Settlement : The Application List will open at 10.00 am on 21 March 2006 and will remain open until 12.00 noon on the same day (or for such further period or periods as we may, in consultation with the Manager, decide) and acceptance of applications will be conditional upon us being satisfied that:–
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all the existing Shares and the New Shares on a “when issued” basis on the SGX Sesdaq; and
 - (b) the Management Agreement, Underwriting Agreement and the Placement Agreement referred to on pages 29 to 30 of this Prospectus have become unconditional and have not been terminated.

We expect that our Shares will commence trading on the SGX Sesdaq on a “when issued” basis on or about 23 March 2006 and on a “ready” basis on or about 31 March 2006. Generally, our Shares will be held and traded in book-entry form pursuant to the rules of the SGX-ST and CDP. Pursuant to the book-entry settlement system of CDP, share certificates will be registered in the name of CDP and will be forwarded only to CDP. If you are successful, it is expected that CDP will send to you at your own risk, within 15 Market Days after the close of the Application List, a statement showing that your Securities Account has been credited with the number of New Shares allotted to you.

The full application moneys will be refunded in Singapore dollars to you (without interest or any share of revenue or other benefit arising therefrom) where your application is unsuccessful or not successfully balloted or accepted within 24 hours of balloting by ordinary post at your own risk (in the case of an application using Application Form) or by being automatically credited to your account with the relevant Participating Bank (in the case of an Electronic Application). Where your application is accepted in part only, the balance of your application moneys will be refunded in Singapore dollars (without interest or any share of revenue or other benefit arising therefrom) within the shortest possible time by ordinary post at your own risk (in the case of an application using Application Form) or by being automatically credited to your account with the relevant Participating Bank (in the case of an Electronic Application). Please refer to the section on “Clearance and Settlement” on page 107 of this Prospectus for further details.

Risk Factors : Investing in our ordinary shares involves risks which are described in the “Risk Factors” section beginning on page 32 of this Prospectus.

PLAN OF DISTRIBUTION

The Invitation Price was arrived at by us and the Vendors, in consultation with the Manager, the Underwriter and the Placement Agent after taking into consideration, *inter alia*, prevailing market conditions and estimated market demand for our shares. The Invitation Price is the same for all Invitation Shares and is payable in full on application.

This section should be read in conjunction with, and is qualified in its entirety by reference to, the section entitled "Terms and Conditions and Procedures For Application and Acceptance" in Appendix H of this Prospectus.

Investors may apply to subscribe for and/or purchase any number of Invitation Shares in integral multiples of 1,000 Shares. In order to ensure a reasonable spread of shareholders, we have the absolute discretion to prescribe a limit to the number of Invitation Shares to be allotted and/or allocated to any single applicant and/or to allot and/or allocate Invitation Shares above or under such prescribed limit as we shall deem fit.

Application for the Invitation Shares may be made by one of the following methods:

Public Offer

Pursuant to the terms and conditions contained in the underwriting agreement signed between our Company, the Vendors and the Underwriter dated 7 March 2006, the Underwriter has agreed to underwrite our Offer Shares. In the event of under-subscription, the Underwriter will be committed to subscribe and/or purchase and pay for all unsubscribed or unpurchased Offer Shares. However, the Underwriter may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed and/or purchased as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and the Vendors and approved by the SGX-ST.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Invitation Price. Investors may apply for the Invitation Shares pursuant to the Offer by way of printed Application Forms, or Electronic Application.

An applicant (other than an approved nominee company) who has made an application for Offer Shares in his own name may not submit another separate application for Offer Shares whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and shall be rejected.

An applicant who has made an application for Offer Shares by way of an Offer Shares Application Form may not make another separate application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and shall be rejected.

An applicant who has made an application for Offer Shares either by way of an Offer Shares Application Form or by way of an Electronic Application shall not make any separate application for Placement Shares by way of a Placement Shares Application Form. Such separate applications shall be deemed to be multiple applications and shall be rejected.

Additional terms and conditions and procedures for the application for Offer Shares by way of Application Forms and Electronic Applications are set out in Appendix H of this Prospectus.

Placement

Pursuant to the terms and conditions in the placement agreement signed between our Company, the Vendors and the Placement Agent dated 7 March 2006, the Placement Agent agreed to subscribe for and/or purchase and/or procure subscriptions and/or purchasers for the Placement Shares at the Invitation Price. In the event of under-subscription, the Placement Agent will be committed to subscribe and/or purchase and pay for all unsubscribed and/or unpurchased Placement Shares. However, the Placement Agent may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares (excluding the Reserved Shares).

In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy applications for the Placement Shares (excluding the Reserved Shares) to the extent there is an over-subscription for the Placement Shares (excluding the Reserved Shares) and to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

Subscribers of Placement Shares (excluding the Reserved Shares) may be required to pay a brokerage of up to 1% of the Invitation Price to the Placement Agent.

Placement Shares (excluding the Reserved Shares)

The Placement Shares (excluding the Reserved Shares) are reserved for placement to members of the public and institutional investors in Singapore at the Invitation Price.

Application for the Placement Shares (excluding the Reserved Shares) pursuant to the Placement may only be made by way of Application Forms.

An applicant who applies for the Placement Shares (excluding the Reserved Shares) by way of a Placement Shares Application Form may not make any separate application for the Placement Shares (excluding the Reserved Shares) using another Placement Shares Application Form, or for the Offer Shares (either using an Offer Share Application Form or by way of an Electronic Application). Such separate applications will be deemed to be multiple applications and shall be rejected.

Additional terms and conditions and procedures for the application for Placement Shares are set out in Appendix H of this Prospectus.

Reserved Shares

To recognise contributions to our Company, we have reserved 2,860,000 Placement Shares for subscription and/or purchase by our employees, business associates and those who have contributed to the success of our Group at the Invitation Price.

These Reserved Shares are not subject to any moratorium and may be disposed of after the admission of our Company to the Official List of the SGX Sesdaq.

Application for the Reserved Shares may only be made by way of Reserved Shares Application Forms.

Additional terms and conditions and procedures for the application for Reserved Shares are set out in Appendix H of this Prospectus.

None of our Shareholders or Directors intend to subscribe for and/or purchase Shares in the Invitation.

As at the Latest Practicable Date and to the best of their knowledge, our Directors are not aware of any person who intends to subscribe for and/or purchase more than 5% of the Invitation Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate interest to subscribe for and/or purchase Shares amounting to more than 5% of the Invitation Shares. If such person(s) were to make an application for Shares amounting to more than 5% of the Invitation Shares, and be subsequently allotted or allocated such number of Invitation Shares, we will make the necessary announcements at an appropriate time. The final allocation of Shares will be in accordance with the shareholding spread and distribution guidelines set out in Rule 210(1)(a) of the Listing Manual.

Further, no Shares shall be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

USE OF PROCEEDS FROM THE INVITATION AND EXPENSES INCURRED

The net proceeds to be raised by our Company from the issue of the New Shares (after deducting the estimated issue expenses) are estimated to be \$4.1 million. We intend to utilise the net proceeds as follows:–

- (i) approximately \$1.2 million will be used for our business expansion in the acquisition of certain distribution rights for new single movies and non-TVB drama serials for territories both within and outside Singapore (Please refer to paragraph (a) of “Our Future Plans” on page 91 of this Prospectus for more details);
- (ii) approximately \$1.2 million will be used for funding some of our investment in content production (Please refer to paragraph (b) of “Our Future Plans” on page 92 of this Prospectus for more details);
- (iii) approximately \$1.2 million will be used for strategic acquisitions or potential joint venture opportunities which are in line with our business strategies (Please refer to “Business Strategies” on pages 90 to 91 of this Prospectus and paragraph (e) of “Our Future Plans” on page 92 of this Prospectus for more details); and
- (iv) the balance will be used as working capital to finance our continued growth and development.

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds may be added to our working capital or be placed in short term deposits or money market instruments as we may deem fit.

The estimated expenses in connection with the Invitation to be borne by our Company is approximately \$1.1 million. The allocation of each principal intended use of proceeds and each item of expenses is set out below:–

	\$'000	As a percentage of gross proceeds from the Invitation (%)
Use of proceeds		
Business expansion in the acquisition of certain distribution rights for new single movies and non-TVB drama serials for territories both within and outside Singapore	1,200	23.04
Investment in content production	1,200	23.04
Strategic acquisitions or potential joint venture opportunities which are in line with our business strategies	1,200	23.04
Working capital	500	9.60
Expenses		
Listing fees	10	0.19
Professional fees	712	13.67
Underwriting commission, placement commission and brokerage	156	3.00
Miscellaneous expenses	230	4.42
TOTAL	5,208	100.00

The estimated expenses in connection with the Invitation comprising underwriting commission, placement commission and brokerage, which will be borne by the Vendors in proportion to the number of Invitation Shares offered by each pursuant to the Invitation, is approximately \$23,940.

MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

Pursuant to the Management Agreement dated 7 March 2006 ("Management Agreement"), our Company appointed the Manager to manage the Invitation. The Manager will receive a management fee from our Company for its services rendered in connection with the Invitation.

Pursuant to the Underwriting Agreement dated 7 March 2006 ("Underwriting Agreement"), the Underwriter agreed to underwrite the Offer Shares for a commission of 2.75% of the Invitation Price for each Offer Share, payable by our Company and the Vendors in proportion to the number of Invitation Shares offered by each pursuant to the Invitation. The Underwriter may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Share(s).

Pursuant to the Placement Agreement ("Placement Agreement") dated 7 March 2006, the Placement Agent agreed to subscribe or procure subscriptions for the Placement Shares for a placement commission of 3.0% of the Invitation Price for each Placement Share which the Placement Agent has successfully subscribed for and/or purchased and/or procured subscriptions and/or purchasers for, payable by our Company and the Vendors in proportion to the number of Invitation Shares offered by each pursuant to the Invitation. The Placement Agent may at its absolute discretion appoint one or more sub-placement agents for the Placement Shares.

Brokerage will be paid by our Company and the Vendors in proportion to the number of Invitation Shares offered by each pursuant to the Invitation to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at the ATMs or the IB website of the relevant Participating Banks, at the rate of 0.25% of the Invitation Price for each Offer Share. Subscribers of Placement Shares (excluding Reserved Shares) may be required to pay a brokerage of up to 1% of the Invitation Price to the Placement Agent.

Save as aforesaid, no commission, discount, or brokerage, has been paid or other special terms granted within the two years preceding the date of this Prospectus or is payable to any Director, promoter, expert, proposed Director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company.

The Management Agreement and the Underwriting Agreement may be terminated by the Manager or the Underwriter, as the case may be, at any time on or before the close of the Application List on the occurrence of certain events including, *inter alia*:-

- (1) if there shall have been, since the date of the Management Agreement and the Underwriting Agreement:
 - (i) any adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise) of our Group;
 - (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive in Singapore or elsewhere (whether or not having the force of law and including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority; or
 - (iii) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including without limitation, the imposition or any moratorium, suspension or material restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise),

which event or events shall in the reasonable opinion of the Underwriter (exercised in good faith) (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or overseas, or (2) be likely to prejudice the success of the subscription or

offer of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market), or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in this Agreement, or (4) be likely to have an adverse effect on the business, trading position, operations or prospects of the Company or of the Group as a whole, or (5) be such that no reasonable manager or underwriter, as the case may be, would have entered into this Agreement, or (6) makes it uncommercial or otherwise contrary to or outside the usual commercial practices of managers or underwriters in Singapore for the Manager or Underwriter to observe or perform or be obliged to observe or perform the terms of this Agreement;

- (2) in the event that the Placement Agent does not receive valid subscriptions and payments for 90.0% of the Placement Shares by 6.00 p.m. on 20 March 2006 (or such other date as may be decided by the Placement Agent); or
- (3) the issue of a stop order by the Authority in accordance with section 242 of the SFA.

In the event that the Management Agreement or the Underwriting Agreement is terminated, our Company reserves the right, at our absolute discretion, to cancel the Invitation.

The Placement Agreement is conditional upon the Management Agreement and/or the Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management Agreement and/or the Underwriting Agreement, as the case may be.

DIVIDENDS

Our Group has not declared or paid any dividends for the last three financial years ended 30 April 2005. We currently do not have any fixed dividend policy although we intend to pay dividend of at least 30% of the net profits attributable to shareholders for FY2006, subject to our Directors' recommendation after taking into account the factors set out in the following paragraph. The amount of dividends we intend to pay for FY2006 is not indicative of the amount of dividends we will pay in the future.

Our Company may, by ordinary resolution, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Directors. Our Directors may declare an interim dividend without seeking Shareholders' approval. Pursuant to the Companies Act, dividends may only be paid out of our Company's profits. In making a recommendation on the amount of final dividend or declaring an interim dividend, our Directors will consider, among other things, our earnings, results of operations, cash flow, financial position and capital requirements, as well as general business conditions and such other factors as our Directors may consider appropriate.

RISK FACTORS

Prospective investors should carefully consider and evaluate each of the following considerations and all other information set forth in this Prospectus before deciding to invest in our Shares. To the best of our Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgment of our Group have been set out below. If any of the following considerations, uncertainties or material risks develop into actual events, our business, financial condition and/or results of operations could be materially and adversely affected. In such cases, the trading price of our Shares could decline and investors may lose all or part of their investment in our Shares.

This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We are dependent on TVBI as our major supplier

We source Chinese language serial programmes from TVBI for video distribution since May 2003. For FY2004 and FY2005, revenue from the distribution of TVB serial programmes accounted for 76% and 68% of our total revenue respectively, and gross profit from the distribution of TVB serial programmes accounted for 105% and 70% of our total gross profit respectively. The distribution of non-TVB drama serials and single title video programmes recorded a gross loss of 5% in FY2004. We procure such video programmes from TVBI pursuant to exclusive licence agreements with TVBI for distribution via rental on video and sale on VCD containing TVB serial programmes in Singapore. Our current TVBI Licence Agreements are for a term of two years and will expire in April 2007. Please refer to "Our Licence Agreements" on pages 84 and 85 of this Prospectus for further details. The TVBI Licence Agreements may be terminated by TVBI or TVBO (as the case may be) prior to the expiry thereof if we are in breach of any of the terms and conditions contained therein. In the event that our TVBI Licence Agreements are terminated prematurely or if we are unable to renew the TVBI Licence Agreements or source for equivalent distribution rights in substitution thereof, our business and financial performance will be adversely affected.

In addition, we are required to pay TVBI a minimum guaranteed fee under each of the licence agreements with TVBI relating to rental on video and sale on VCD containing TVB serial programmes regardless of the amount of rental revenue or sales generated by our subsidiary, Scorpio East. We are also required to pay for the master tapes and promotional materials, which is a fixed amount, in connection with the conduct of our video rental business relating to TVB serial programmes. Please refer to "Our Licence Agreements" on pages 84 and 85 of this Prospectus for more details. In the event that our revenue generated from the distribution of TVB serial programmes is less than the minimum guaranteed fees and the fixed amount for the supply of master tapes and materials payable under the respective agreements, our profit and financial performance will be adversely affected. During the term under the video compact disc distribution agreement which expired on 30 April 2005, our aggregate payment under that agreement was less than the minimum guaranteed fee payable for the sale of TVB classic sell-through titles on video due to a shortfall in the supply of classic sell-through titles on the part of TVBI. Pursuant to variation agreements dated 23 July 2005, TVBI has agreed to waive the remaining unpaid minimum guaranteed fee, but has increased our minimum purchase requirements by approximately 10.8% for each of FY2006 and FY2007 accordingly. As we depend on the continuous supply of TVB serial programmes in order to meet our minimum guaranteed fee, any shortfall in the supply on the part of TVBI to provide video programmes on a timely basis will have a negative impact on our financial performance.

Further, under the agreement for video rental, as TVBI is entitled to share more than half of the gross revenue exceeding the prescribed threshold of the rental revenue generated from the licence granted, the growth in our revenue and profit generated from our video rental business for TVB serial programmes may not be proportional to the total revenue generated from the conduct of such business.

We are exposed to risks arising from credit terms extended to customers

We are exposed to payment delays and/or defaults by our customers who are granted credit terms. As at 30 April 2005, our trade receivables of \$4.3 million accounted for approximately 60.6% of our current assets. Please refer to the section on “Credit Management” on pages 74 and 75 of this Prospectus for details on our debtors aging as at 30 April 2005. The credit terms extended to our customers are usually between 7 and 180 days. Due to unforeseen events or circumstances, our customers may not be able to make timely repayments or fulfil their payment obligations. There is no assurance that there will be no write-offs for trade receivables in the future. If we are unable to collect our debts on time or have to write-off our debts partially or entirely, our financial performance and operating cash flow will be adversely affected.

We are reliant on sub-licensees and resellers to distribute our video products

As at 31 October 2005, we grant non-exclusive sub-licences to our sub-licensees and resellers which operate approximately 168 retail outlets to rent out or sell the video containing TVB drama serials for private home viewing. Such non-exclusive sub-licences are usually granted for a period ranging from one to two years at an agreed fee. A significant portion of our revenue is derived from the fees received from these sub-licences. For FY2004 and FY2005, fees received from sub-licensing of our distribution rights for TVB drama serials amounted to \$5.4 million and \$5.4 million respectively, representing approximately 34.0% and 33.3% of our total revenue respectively. In the event that any sub-licensee is unable to fulfil the terms of the sub-licence agreement, we may choose to terminate the sub-licence agreement. Please refer to the section on “Our Licence Agreements” on pages 85 and 86 of this Prospectus for further details on the principal terms of our sub-licence agreements. If we are unable to reach a sub-licence agreement with other potential sub-licensees or resellers in a timely manner, our financial performance may be adversely affected.

We are dependent on our major customers

Our major customers accounted in aggregate approximately 94%, 67% and 62% of our Group’s total revenue for FY2003, FY2004 and FY2005 respectively. Please refer to the section on “Major Customers” on page 79 of this Prospectus for further details on our major customers. There is no assurance that our major customers will continue to procure our distribution rights as a sub-licensee, reseller or sub-distributor at current levels. In the event that these major customers cease or reduce significantly their distribution rights procured from us and we are unable to grant such distribution rights to other sub-licensees, resellers or sub-distributors, our business and financial performance will be adversely affected.

Our performance will be adversely affected if piracy activities intensify

Unauthorised distributors of pirated products have posed a significant threat to the video entertainment industry. These unauthorised distributors profit from selling video products without paying for copyright royalties or licences. In the event that the unauthorised sale and distribution of video programmes that we carry intensifies, our business and financial performance will be adversely affected.

Our business relating to non-TV drama serials and single title video programmes may be adversely affected by parallel imports

Parallel imports of non-TV drama serials and single title video programmes refers to the import of video containing such licensed contents which are obtained directly from overseas sources. Parallel imports of video programmes from licensed overseas sources are permitted in Singapore and some of such video may contain the same films distributed by us and are invariably offered to the consumers at a lower selling price. Such parallel imports compete with the products offered by us and may erode our profit margins. Should there be an increase in the parallel imports of the same video programmes offered by us, our business and financial performance will be adversely affected.

We operate in a highly competitive industry

We operate in a highly competitive industry with generally low barriers of entry, and we face competition from both local and international film distributors in the acquisition and distribution of single movies and

non-TV drama serials. Please refer to the section on “Competition” on pages 79 and 80 of this Prospectus for further details on our competitors. Our growth and future financial performance will be adversely affected if we are unable to renew our existing distribution rights or secure new distribution rights to ensure a stable source of popular single movies and non-TV drama serials at reasonable prices.

We are subject to the censorship laws and regulations in the territories where we distribute rights to films

We are subject to the censorship laws and regulations in Singapore, Malaysia and other countries where we distribute the rights in films to. Currently, we distribute serial programmes and single title video programmes mainly in Singapore and our distribution of selected video programmes (other than TVB serial programmes) to Malaysia are through the assignment of distribution rights for the Malaysia territory mainly to our sub-distributors, Speedy Video and Harvest Ocean, who are responsible for ensuring that the censorship laws and regulations in Malaysia are complied with, and for the related costs incurred in connection therewith. Please refer to the section on “Government Regulations” on page 82 of this Prospectus for further details on the censorship laws and regulations in Singapore. A tightening of the censorship laws and regulations may result in us incurring additional costs to comply with the new censorship laws and regulations. This may have an adverse effect on our financial performance.

Our business is dependent on consumer spending patterns and preferences

We are in the video entertainment industry distributing mainly Chinese language serial programmes and single title video programmes in Singapore. The demand for video products is dependent on a number of factors including the state of the economy and unemployment rates in Singapore, thereby affecting consumer spending power and consumer spending patterns. A slowdown in the economy and higher unemployment rates will lead to a decrease in demand for our video products. If there is a prolonged economic downturn or an increase in unemployment rates, there is no assurance that we may maintain our revenue or that our operations will remain profitable. Further, consumer spending preferences on entertainment may also change. In the event that there is a change in consumer spending preference to other types of entertainment other than video entertainment, and we are not able to respond effectively to changing demands and trends, our business and financial performance will be adversely affected.

Our business will be adversely affected if there are changes in technology or market trends in entertainment media

Currently, motion pictures and drama serials are distributed via various formats including theatrical release (for motion pictures only), television broadcasting, video distribution, Video-On-Demand and over the Internet. We distribute mainly Chinese language drama serials and single movies on video, such as VHS, VCD and DVD. Any changes in technology or market trends in the form of entertainment media, for example, consumers switching to Video-On-Demand or Internet delivery instead of renting or buying videos from retail outlets will affect our business and financial performance. If we are unable to adapt to changing market trends, our financial performance will be adversely affected.

Our business depends on the continuous supply of popular video programmes by third parties

Currently, we obtain our video programmes from a few major licensors, such as TVBI, Shaw Renters, MediaCorp Studios, Raintree Pictures, Fortune Star, Regentact and Harvest Ocean. The term of these licence agreements usually range from two to five years. As at 31 December 2005, the respective proportion of the Group’s licence agreements with its licensors which will expire after each of two, three, four and five years are set out below:

Outstanding term of licence agreements as at 31 December 2005	Percentage
Two years	36%
Three years	27%
Four years	23%
Five years	14%

In the event that we are unable to renew video distribution rights with our existing licensors or secure new distribution rights to ensure continuous supply of video programmes at reasonable prices, our business and financial performance will be adversely affected. In addition, we are required to pay licence fees under the licence agreements with our licensors. In the event that our revenue generated from the distribution of such video programmes is less than the licence fees payable under the respective licence agreements, our profit and financial performance will be adversely affected.

We have a limited track record in the video distribution business

Our video distribution business became active again only in the second quarter of FY2003. Our current business has a limited operating record of just over three years since it became active again upon which we may be evaluated with regard to our future performance, the investment in our shares and our future expansion plans. We made a loss of \$569,000 from operations in FY2003. We face risks and uncertainties in our ability to maintain and expand our licensing rights due to keen competition in this industry. If we are unable to successfully address these risks and uncertainties in a timely manner, our business and operations will be affected.

We rely on key personnel for the continued success of our business

Our Group depends, to a significant extent, on the continual service of our CEO and Executive Director, John Ho. He is assisted by our Executive Director, Venessa Lian, and their team of management personnel as set out in the section headed "Directors, Management and Staff" of this Prospectus. Our Group's success can be attributed to the good business relationships we have established with our licensors and the effective management of our video distribution business. John Ho plays a significant role in the strategic development and growth of our Group. Our continued success and development will be adversely affected if we were to lose the services of John Ho without suitable replacements and may lead to the loss or deterioration of important business relations which would have an adverse impact on our business operations and the future prospects.

We may be subject to potential litigation and copyright infringement risk

We source and procure suitable distribution rights for motion pictures or drama serials from copyright owners of such content or their authorised distributors. Upon securing the necessary rights from the copyright owner or authorised distributor of content, we are entitled to distribute the relevant content within the specified geographical territories. Whilst we endeavour to secure distribution rights only from copyright owners and authorised distributors, we face the risk of obtaining rights from companies which are not the rightful copyright owners or authorised distributors of such content. In such event, we may face claims for copyright infringement and legal proceedings. Any infringement of copyright in those content distributed by our Group may adversely affect our business and financial performance.

In addition, if our sub-licensees or resellers commit a breach of any provision of the relevant sub-licence or reseller agreements, we may be compelled to commence legal action to enforce our rights under such agreements. Considerable time and financial and manpower resources may be expended in the process. This will deplete our management resources and may adversely affect our business and financial performance.

We face potential risks associated with our involvement in film production

We intend to invest selectively in film production projects on a co-investment basis. We commenced our first co-investment in the film "I Not Stupid Too" with unrelated third party film producers in June 2005, and we intend to co-invest in the production of other new films. There are inherent risks associated with investment in film production, such as production cost overrun and poor box office receipts as a result of negative response from film audiences. If any of such events were to occur, our business and financial performance may be adversely affected. There is no assurance that we will be successful in addressing these risks, and that our investment in the film production business will be profitable.

Further, we have started offering our services as a film producer in the second half of 2005. As a film producer, we are subject to the terms of the producer agreements, under which we are responsible for ensuring that the production budget and the proposed timing of release of the film are met. There is no

assurance that there will not be an occurrence of any significant unforeseen event having an adverse impact on the production of the film. In the event we fail to deliver the film on time or at all, we may face claims for damages and/or termination of the producer agreements. In such event, our financial performance may be adversely affected.

We have limited experience in the replication of VCD and DVD business

Our Group commenced the replication of VCD and DVD for our internal demand at our production facilities located at 6 Harper Road #01-02 in May 2005. Prior to May 2005, we had sub-contracted the replication of VCD and DVD to unrelated third party replication service providers in Singapore. We therefore have limited experience and track record in the operations relating to the replication of VCD and DVD. As we have just commenced such business activities, we may encounter unforeseen delays and incur unexpected additional start-up and production costs and expenses. We therefore face risks and uncertainties in our ability to replicate VCD and DVD in the most efficient and cost effective manner. If we are unable to successfully address these risks and uncertainties in a timely manner, our business and financial performance will be adversely affected. There is no assurance that we will be successful or profitable from our operations relating to the replication of VCD and DVD in the future or that we will be able to compete successfully in the future.

We may not be able to successfully implement our future plans

As part of our future plans, we intend, *inter alia*, to expand our video distribution business to cover English and foreign language single movies. In addition to video distribution rights, we intend to acquire other distribution rights in films, including cinematic rights and television broadcasting rights, for different territories both within and outside Singapore. We are also expanding our business to content production (including provision of services as a film producer), as well as offering advertising through the video medium. Details of our future plans can be found under "Our Future Plans" on pages 91 and 92 of this Prospectus. Our future business plans are based on a number of assumptions such as continuous growth in video markets, the continuation of our current distribution rights, as well as the ability to secure additional distribution rights and strategic alliances with business partners. These expansion plans will require substantial capital expenditure and financial resources. In addition, there may be a number of risks associated with the expansion into new overseas markets, including differences in regulatory requirements, fluctuations in currency exchange rates, potential adverse tax consequences, legal uncertainties and unexpected changes in foreign laws. There is no assurance that our future business plans will be successfully implemented in the future. In the event we are unable to achieve these plans, our financial performance will be adversely affected.

Our business will be adversely affected if we are unable to maintain our licenses

Our subsidiaries, Scorpio East, SEM and SEP, each holds a Video Licence under the Films Act, and SEM holds a Manufacturing Licence under the Manufacture of Optical Discs Act 2004 (No. 25 of 2004). Please refer to the section on "Government Regulations" on pages 82 and 83 of this Prospectus for further details on the licensing requirements for our video distribution operations and video replication in Singapore. In the event that we are unable to maintain our Video Licences and/or Manufacturing Licence, we will not be able to continue our operations and our business will be disrupted, hence adversely affecting our financial performance.

We are subjected to general risks associated with doing business outside Singapore

Our subsidiaries, SEP(HK) and SESB, were incorporated in January 2005 in Hong Kong and Malaysia respectively for purposes of our business expansion (please refer to "Our Future Plans" on page 91 of this Prospectus for further details). There are inherent risks in doing business overseas, such as unexpected changes in regulatory requirements, difficulties in staffing and managing foreign operations, social and political instability, labour unrest, fluctuations in currency exchange rates, potentially adverse tax consequences, legal uncertainty regarding liability, reduced protection for intellectual property rights in some countries, tariffs and other trade barriers, variable and unexpected changes in local law and barriers to the repatriation of capital or profits, any of which could materially affect our overseas operations and, consequently our business, results of operations and financial condition.

RISKS RELATING TO OWNERSHIP OF OUR SHARES

Investors in our Shares would face immediate and substantial dilution in the book value per Share and may experience future dilution

Our Invitation Price of \$0.21 is substantially higher than our Group's NAV per Share of \$0.09 adjusted for the net proceeds from the Invitation (see "Dilution" on page 56 of this Prospectus for further details). If we were liquidated immediately following this Invitation, each Shareholder subscribing to this Invitation would receive less than the price they paid for their Shares.

Our Directors and our Substantial Shareholders and their Associates will retain significant control over our Company after the Invitation, which will allow them to influence the outcome of matters submitted to Shareholders for approval

Upon completion of the Invitation, our Substantial Shareholders and their Associates will beneficially own in aggregate approximately 60.58% of our Company's enlarged share capital. As a result, these persons, if they act together, will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of Directors and approval of significant corporate transactions, and will have veto power with respect to any Shareholders' action or approval requiring a majority vote. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Company which may not benefit our Shareholders.

There has been no prior market for our Shares and this offering may not result in an active or liquid market for these Shares

There has been no public market for our Shares prior to this Invitation and accordingly, there can be no assurance that an active public market for our Shares will develop or, if developed, will be sustained after the Invitation. The Invitation Price has been determined by our Company, the Vendors, in consultation with the Manager, the Underwriter and the Placement Agent based on market conditions and estimated market demand for our Shares, and may not be indicative of the market price at which these Shares will trade after the Invitation.

Investors may not be able to resell their Shares at or above the Invitation Price. Volatility in the trading price of our Shares may be caused by factors outside our control and may be unrelated or not proportionate to our operating results.

Our Share price may be volatile, which could result in substantial losses for investors subscribing for Shares in this Invitation

The market price of our Shares may be highly volatile and could be subject to wide fluctuations in response to the variations in operating results. These fluctuations may be exaggerated if the trading volume of our Shares is low. In addition, the market price of our Shares may also rise and fall as a result of among others, the following factors, some of which are beyond our control:

- (i) the success of our management team in implementing business and growth strategies;
- (ii) gain or loss of an important business relationship;
- (iii) changes in analysts' recommendation or perceptions;
- (iv) changes in general economic conditions or stock market sentiments or other events or factors;
- (v) changes in share prices of companies with similar businesses to our Group that are listed in Singapore; and
- (vi) broad stock market fluctuations.

Future sales of Shares could adversely affect our share price

Our Directors, Substantial Shareholders and their Associates collectively hold approximately 60.58% of our entire post-Invitation issued share capital. Although these Shares are subject to moratorium (see "Moratorium" on page 62 of this Prospectus), any sale of our Shares after the expiration of the applicable moratorium period by such Shareholders could cause our Share price to fall and may thereby also affect our ability to raise funds through issuance of equities or other form of securities.

INVITATION STATISTICS

INVITATION PRICE	\$0.21
NTA	
NTA per Share based on the unaudited proforma consolidated balance sheet of our Group as at 30 April 2005 adjusted for the Share Consolidation and the Share Split ("Adjusted NTA per Share"):	
(a) before adjusting for the estimated net proceeds from the issue of the Invitation Shares and based on our Company's pre-Invitation share capital of 57,868,117 Shares	5.77 cents
(b) after adjusting for the estimated net proceeds from the issue of the Invitation Shares and based on our Company's post-Invitation enlarged share capital of 82,668,117 Shares	9.00 cents
Premium of Invitation Price of \$0.21 over the NTA per Share as at 30 April 2005:	
(a) before adjusting for the estimated net proceeds from the issue of the Invitation Shares and based on our Company's pre-Invitation share capital of 57,868,117 Shares	263.95%
(b) after adjusting for the estimated net proceeds from the issue of the Invitation Shares and based on our Company's post-Invitation enlarged share capital of 82,668,117 Shares	133.33%
EARNINGS	
Historical net EPS for FY2005 based on our Company's pre-Invitation share capital of 57,868,117 Shares	4.42 cents
Historical net EPS, had the Service Agreements been effected for FY2005, based on our Company's pre-Invitation share capital of 57,868,117 Shares	4.51 cents
PRICE EARNINGS RATIO	
Historical price earnings ratio based on the Invitation Price and the historical net EPS for FY2005	4.75 times
Historical price earnings ratio, based on the Invitation Price and the historical net EPS had the Service Agreements been effected for FY2005	4.66 times
NET OPERATING CASH FLOW	
Historical net operating cash flow per Share for FY2005 based on our Company's pre-Invitation share capital of 57,868,117 Shares	1.50 cents
Historical net operating cash flow per Share, had the Service Agreements been effected for FY2005, based on our Company's pre-Invitation share capital of 57,868,117 Shares	1.58 cents

PRICE TO NET OPERATING CASH FLOW RATIO

Ratio of Invitation Price to historical net operating cash flow per Share for FY2005 14.00 times

Ratio of Invitation Price to historical net operating cash flow per Share for FY2005 had the Service Agreements been effected for FY2005 13.29 times

MARKET CAPITALISATION

Our Company's market capitalisation based on the post-Invitation enlarged share capital of 82,668,117 Shares and the Invitation Price of \$0.21 \$17.36 million

SELECTED PROFORMA CONSOLIDATED FINANCIAL INFORMATION

The following selected financial information of our Proforma Group should be read in conjunction with the full text of the Prospectus, including “Review of Past Performance” and the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information and the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the Period from November 24, 2004 (Date of Incorporation) to April 30, 2005 as set out in Appendices A and B of this Prospectus.

RESULTS OF OUR PROFORMA GROUP⁽¹⁾

(\$'000)	FY2003	FY2004	FY2005
Revenue	1,493	15,913	16,196
Cost of sales	(1,511)	(12,377)	(9,667)
Gross (loss) profit	(18)	3,536	6,529
Distribution costs	(58)	(370)	(379)
Administrative expenses	(418)	(1,857)	(2,579)
Other operating expenses	(75)	(216)	(246)
(Loss) Profit from operations	(569)	1,093	3,325
Finance cost	(5)	(32)	(30)
(Loss) Profit before income tax	(574)	1,061	3,295
Income tax	—	(140)	(743)
(Loss) Profit before minority interests	(574)	921	2,552
Minority interests	—	—	7
Net (loss) profit for the year	(574)	921	2,559
(Loss) Earnings per Share⁽²⁾ (in cents)	(0.99)	1.59	4.42
(Loss) Earnings per Share⁽³⁾ (in cents)	(0.69)	1.11	3.10

Notes:

- (1) The financial results of the Proforma Group for the period under review have been prepared on the basis that the Proforma Group had been in existence since 1 May 2002.
- (2) For comparative purposes, EPS has been computed based on net profit for the year and the pre-Invitation issued share capital of 57,868,117 Shares.
- (3) For comparative purposes, (loss) earnings per Share for the periods under review is computed based on net (loss) profit for the year and the post-Invitation share capital of 82,668,117 Shares.

FINANCIAL POSITION OF OUR PROFORMA GROUP⁽¹⁾

As at 30 April 2005

(\$'000)

ASSETS

Current assets

Cash and bank balances	1,274
Trade receivables	4,277
Other receivables and prepayments	941
Inventories	480
Deferred expenditure	133

Total current assets 7,105

Non-current assets

Other investment	200
Plant and equipment	1,214

Total non-current assets 1,414

Total assets 8,519

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities

Trade payables	1,891
Other payables	1,210
Income tax payable	796
Current portion of finance leases	159

Total current liabilities 4,056

Non-current liability

Finance leases	838
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Minority interests 153

Shareholders' equity 3,472

Total liabilities and Shareholders' equity 8,519

NTA per Share⁽²⁾ (in cents) 5.77

Notes:

- (1) The financial position of the Proforma Group has been prepared on the basis that the Proforma Group had been in place as at 30 April 2005.
- (2) The NTA per Share has been calculated based on the pre-Invitation issued share capital of 57,868,117 Shares.

REVIEW OF PAST PERFORMANCE

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information and the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the Period from November 24, 2004 (Date of Incorporation) to April 30, 2005 as set out in Appendices A and B of this Prospectus.

OVERVIEW

Our Company is an investment holding company and as at the Last Practicable Date, our business operations are carried out through our subsidiaries, namely Scorpio East, SEM and SEP.

Our other two subsidiaries, SEP(HK) and SESB, were incorporated in January 2005 with the intention to become our operating vehicles for the future expansion of our Group. Please refer to the section entitled "Prospects and Future Plans" beginning on page 88 of this Prospectus for details.

For the purpose of this section, "sale of video distribution rights and television broadcasting rights" for selected programmes for the Malaysia territory refer to our assignment of such rights that we have acquired for territories outside Singapore to our customers based in Malaysia and Hong Kong.

Revenue

Our revenue is derived mainly from the distribution of serial programmes and single title video programmes in Singapore.

Revenue from the distribution of serial programmes comprises (a) fees received from sub-licensees for distributing TVB serial programmes on video for home rental, (b) replicating charges, (c) income from sale of TVB classic sell-through titles and other drama serials on video and (d) sale of video distribution rights and television broadcasting rights for selected non-TVB drama serials for the Malaysia territory.

Revenue from the distribution of single title video programmes is derived mainly from sale of the video containing such single title video programmes, and the sale of video distribution rights and television broadcasting rights for selected single title video programmes for the Malaysia territory.

Typically, we grant non-exclusive sub-licences to our sub-licensees for the rental of TVB first-run titles and second-run titles in Singapore for a period ranging from one to two years for a consideration. For TVB first-run titles, the sub-licence fee is based on a minimum guaranteed sum per month plus an additional fee calculated based on a percentage of the total rental revenue earned in each month by the sub- licensee in excess of a prescribed sum. For TVB second-run titles, the sub-licence fee is based on a guaranteed minimum fee per month. Our sub-licensees also pay us replicating charges for replicating the drama serials ordered by them on DVD or VCD.

For TVB classic sell-through titles, we enter into a reseller agreement with TS Digital Laser which is typically for a period of one year, who in turn sells the TVB classic sell-through titles on VCD to their customers. Pursuant to the terms of the reseller agreement, the reseller is required to purchase a minimum quantity of TVB classic sell-through titles at an agreed price during the period of the reseller agreement.

For the distribution of non-TVB drama serials and single title video programmes on video in the Singapore territory, we do not have any agreement with any distributor or reseller. Any distributor or reseller can place purchase orders with us.

Sub-licensing fees are recognised every month on an accrual basis over the duration of the sub-licence agreement, while replicating charges and sales of video containing serial programmes and single title video programmes are recognised when customers take delivery of goods. Revenue from the sale of video distribution rights and television broadcasting rights are recognised when significant risks and rewards of ownership are transferred to the buyer.

Factors that can affect our revenue include the following:

- (a) Our TVBI Licence Agreements, if not extended, will severely impact our performance. We procure video programmes for Chinese language drama serials from TVBI pursuant to an exclusive licence agreement, which will expire in April 2007. For FY2004 and FY2005, revenue from the distribution of TVB serial programmes accounted for 76% and 68% of our total revenue respectively. In the event that our licence agreement with TVBI is terminated prematurely or if we are unable to renew the licence agreement with TVBI or procure suitable substitution, our business and financial performance will be adversely affected;
- (b) Our ability to maintain and manage an extensive distribution network. As at 31 October 2005, we maintain a distribution network comprising 168 retail outlets operated by our sub-licensees and resellers that carry our products for home rental or sale in Singapore. As we are in the video distribution business, it is of paramount importance that we continue to expand our distribution network so as to distribute our products effectively;
- (c) Our ability to offer a wide range of video programmes that meet the demand and preferences of home viewers;
- (d) Our ability to remain competitive;
- (e) The general economic condition of Singapore, which will in turn affect the level of disposable income of our consumers and their spending patterns.

Please refer to the section "Risk Factors" on pages 32 to 37 of this Prospectus for other factors that may affect our revenue and financial performance.

Cost of Sales and Gross Profit Margin

The main components of our cost of sales are (a) cost of rental, which refers to the licence fee paid to TVBI under the licence agreement with TVBI, (b) replicating cost, which include encoding and mastering costs incurred in connection with the manufacturing of the stamper and (c) cost of purchase for TVB classic sell-through titles, and (d) licence fees paid to other licensors for the distribution rights of non-TVB drama serials and single title video programmes.

Typically, we are required to pay to our licensors during the licence period a licence fee, which comprises a minimum guaranteed sum and in some cases, plus an additional fee calculated based on a percentage of our total revenue derived from rental or sale of the relevant products under the licence agreement. In the case of TVB classic sell-through titles, we are required to make purchases of not less than a minimum guaranteed sum during the agreement period.

In addition, we incur replicating cost for replicating video programmes (except for TVB classic sell-through titles) on VCD or DVD for our sub-licensees and resellers.

Licence fees due to TVBI are recognised every month on an accrual basis over the duration of the licence agreement with TVBI. Prior to FY2005, licence fees due to other licensors were recognised in full when revenue from the exploitation of the relevant licence is earned. In FY2005, we adopted an accounting policy which recognises 80% and 20% of the licence fees in the profit and loss statement when the relevant titles are released on VCD and DVD respectively. The average time lag between the release of titles on VCD and DVD for single title video programmes and serial programmes are approximately 9 months and 24 months respectively.

In FY2005, the costs comprising licence fees, replicating costs and cost of purchase that related to the distribution of TVB serial programmes form 69.0% of our total cost of sales.

Distribution costs

Distribution costs refer to costs incurred in the course of distributing and promoting our video programmes, which comprise mainly advertising and promotional expenses, and entertainment expenses.

Advertising and promotional expenses refer to the costs of advertising in the various media platforms (such as television and newspapers) and costs of organising promotional events for the products that we distribute, while entertainment expenses mainly comprises the food and beverage expenses and costs of festive gifts to clients of the Group. In FY2005, advertising and promotional expenses and entertainment expenses accounted for 58.3% and 41.7% of our total distribution costs respectively.

Administrative Expenses

The major components of administrative expenses are staff costs including salaries, directors' remuneration and CPF contributions. These costs in total accounted for 62.2%, 69.3% and 68.2% of total administrative expenses for FY2003, FY2004 and FY2005, respectively. Other administrative expenses include mainly depreciation of office furniture and fittings and motor vehicles, office rental and other office expenses.

Other Operating Expenses

Other operating expenses comprise repair and maintenance for our video recording equipment and computer system, travelling expenses and maintenance cost for our motor vehicles.

Finance Cost

Our finance cost relates mainly to interest expense on finance leases to purchase our motor vehicles.

Income Tax

Our income tax is determined on the basis of tax effect accounting, using the liability method. Deferred income tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

REVIEW OF PAST PERFORMANCE

The following review of past performance by business segment should be read in conjunction with the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information and the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the Period from November 24, 2004 (Date of Incorporation) to April 30, 2005 as set out in Appendices A and B of this Prospectus.

Breakdown of Past Performance by Business Segments

A breakdown of our revenue by business segment and the percentage of revenue contributed by each activity for the three financial years ended 30 April 2005 are provided below:

Revenue

	FY2003		FY2004		FY2005	
	\$'000	%	\$'000	%	\$'000	%
Serial programmes	252	16.9	13,658	85.8	13,380	82.6
Single title video programmes	1,241	83.1	2,255	14.2	2,816	17.4
Total	1,493	100.0	15,913	100.0	16,196	100.0

Gross (loss) profit

	FY2003		FY2004		FY2005	
	\$'000	%	\$'000	%	\$'000	%
Serial programmes	(3)	16.7	3,629	102.6	5,327	81.6
Single title video programmes	(15)	83.3	(93)	(2.6)	1,202	18.4
Total	(18)	100.0	3,536	100.0	6,529	100.0

Gross Profit Margin

(%)	FY2003	FY2004	FY2005
Serial programmes	n.m.	26.6	39.8
Single title video programmes	n.m.	n.m.	42.7
Overall	n.m.	22.2	40.3

Breakdown of Past Performance by Geographical Regions

Our segmental revenue by geographical regions is based on our customers' billing addresses. Our revenue from other countries relates mainly to the sale of video distribution rights and television broadcasting rights in relation to selected non-TVB drama serials and single title video programmes for the Malaysia territory and the sale of video containing such programmes to them. A breakdown of our revenue by geographical regions for the past three financial years ended 30 April 2005 is set out below:

Revenue

	FY2003		FY2004		FY2005	
	\$'000	%	\$'000	%	\$'000	%
Singapore	1,430	96.0	15,437	97.0	13,940	86.1
Other countries ⁽¹⁾	63	4.0	476	3.0	2,256	13.9
Total	1,493	100.0	15,913	100.0	16,196	100.0

Gross (loss) profit

	FY2003		FY2004		FY2005	
	\$'000	%	\$'000	%	\$'000	%
Singapore	(38)	(211.0)	3,407	96.4	5,248	80.4
Other countries ⁽¹⁾	20	111.0	129	3.6	1,281	19.6
Total	(18)	100.0	3,536	100.0	6,529	100.0

Gross Profit Margin

(%)	FY2003	FY2004	FY2005
Singapore	n.m.	22.1	37.6
Other countries ⁽¹⁾	31.7	27.0	56.8
Overall	n.m.	22.2	40.3

Note:

(1) Other countries refer to Malaysia and Hong Kong where our customers are based.

FY2003 to FY2004

Revenue

We saw a significant increase in our Group's revenue from \$1.5 million in FY2003 to approximately \$15.9 million in FY2004. This was mainly attributable to the following two reasons: Firstly, our video distribution business became active again in August 2002 after we secured exclusive licensing rights to distribute Raintree Pictures' film "The Eye (见鬼)" through selling its VCD and DVD in Singapore. The period when we had active business activities in FY2003 effectively covers 9 months from August 2002 to April 2003. Secondly, we secured the TVBI exclusive licence agreements for distribution via home rental and sale of video containing TVB serial programmes in May 2003. As a result, revenue from serial programmes (mainly drama serials) increased by \$13.4 million from \$0.3 million in FY2003 to \$13.7 million in FY2004 due mainly to TVBI sub-licensing fees, replicating charges and sale of TVB classic sell-through titles on video, which in aggregate amounted to \$12.2 million in FY2004. Sale of video containing non-TVB drama serials increased by \$1.2 million due mainly to more new titles secured during FY2004. We secured 9 new titles during FY2004 as opposed to 5 in FY2003. Some of the popular titles secured in FY2004 are "My Fair Princess III (还珠格格第三部-天上人间)", "Love Storm (狂爱龙卷风)" and "The Outsiders (斗鱼)".

During the same period, revenue from the single title video programmes business rose by about \$1.0 million due mainly to a longer active operating period in FY2004 and more new titles secured during FY2004. We secured 34 new titles during FY2004 as opposed to 30 in FY2003. Some of the popular titles secured in FY2004 are "Infernal Affairs II (无间道II)", "Turn Left Turn Right (向左走向右走)" and "Twins Effect (千机变)".

As we distribute video programmes mainly in Singapore, revenue from Singapore increased accordingly by \$14.0 million from \$1.4 million in FY2003 to \$15.4 million in FY2004.

We recorded revenue of \$63,000 from other countries in FY2003 due to the assignment of video distribution rights for the Malaysia territory. Revenue from other countries increased to \$476,000 in FY2004 due to the sale of video distribution rights and television broadcasting rights (Pay-TV and free-TV) in relation to more titles for the Malaysia territory in FY2004.

Cost of sales and gross profit margin

In FY2003, our cost of sales only related to licence fees for the distribution of non-TVB drama serials and single title video programmes, which amounted to approximately \$255,000 and \$1.3 million, respectively. We incurred a loss of approximately \$18,000 at the gross profit level in FY2003. This was because we were required to pay a minimum guaranteed fee under the respective licence agreements for non-TVB drama serials and single title video programmes, which was higher than our revenue during the 9-month active operating period in FY2003. As a result, we also incurred a loss of approximately \$38,000 at the gross profit level from the Singapore market in FY2003. This was offset by a gross profit of approximately \$20,000 from other countries due to the assignment of video distribution rights for the Malaysia territory.

We recorded a gross profit of \$3.5 million in FY2004 compared to a loss of \$18,000 in FY2003 due mainly to the increased gross profit contribution from serial programmes amounting to \$3.6 million in FY2004 which was offset by the loss of approximately \$93,000 from single title video programmes business. The increase in gross profit from serial programmes business was mainly attributed to the increase in revenue brought in by the business relating to TVB serial programmes (mainly drama serials). The loss from the business relating to the single title video programmes at the gross profit level was due mainly to the minimum guaranteed licence fee, which was higher than the revenue generated by these products.

Gross profit margin for other countries decreased from 31.7% in FY2003 to 27.0% in FY2004 due to lower prices for certain television broadcasting rights assigned during the year.

As a result of the significant increase in gross profit from serial programmes business, we recorded a gross profit margin of 22.2% for FY2004.

Distribution costs

Our distribution costs increased by approximately \$312,000 from \$58,000 in FY2003 to approximately \$370,000 in FY2004. This was in line with an increase in advertising and promotional activities for the increased number of drama serials and single movies which we distributed.

Administrative expenses

Our administrative expenses increased by approximately \$1.5 million from \$418,000 in FY2003 to approximately \$1.9 million in FY2004 due mainly to an increase of approximately \$1.1 million in staff costs. This was mainly attributable to an increase in the number of employees and salary increments of our Directors and employees. We had 35 employees at the end of FY2004 as compared to 20 at the end of FY2003. Other administrative expenses also increased by approximately \$352,000 due to longer operating period in FY2004 and increased depreciation expenses. The depreciation expenses increased by approximately \$209,000 due mainly to purchases of two new motor vehicles.

Other operating expenses

Our other operating expenses increased by approximately \$141,000 due mainly to increased travelling expenses resulting from marketing activities over longer operating period in FY2004.

Finance costs

Finance costs increased by \$27,000 from \$5,000 in FY2003 to \$32,000 in FY2004 due mainly to an increase in finance lease interest for purchases of two new motor vehicles.

Profit before income tax

As a result of the above, our Group registered a profit of \$1.1 million before income tax for FY2004 compared with a loss of \$574,000 before income tax for FY2003.

Income tax

Our taxation expense for FY2004 was \$140,000. The effective tax rate of our Group for FY2004 was approximately 13.2%, which was lower than the applicable corporate tax rate of 20%. The difference was due mainly to loss carried forward from previous year.

FY2004 to FY2005

Revenue

Our revenue increased marginally by \$283,000 or 1.8% from \$15.9 million in FY2004 to \$16.2 million in FY2005. This was due mainly to an increase of approximately \$561,000 in revenue from the business relating to single title video programmes which was offset by a decrease of approximately \$278,000 in revenue from serial programmes business.

The increase in revenue from the business relating to single title video programmes was due mainly to an increase in the sale of video distribution rights and television broadcasting rights for the Malaysia territory, amounting to \$783,000, offset by a decrease in the sale of video containing single title video programmes of about \$222,000 during FY2005. The latter was because some of the single movies secured in FY2004, such as "Infernal Affairs II (无间道II)", "Turn Left Turn Right (向左走向右走)" and "Twins Effect (千机变)", were popular with our customers, hence higher revenue was generated for that financial year. However in FY2005, a few popular titles were released only towards the end of FY2005, such as "I Do I Do (爱都爱都)" and "Seoul Raiders (韩城攻略)".

The decrease in revenue from serial programmes business was mainly attributable to a decrease in revenue of \$1.1 million from TVB classic sell-through titles offset by an increase in revenue from the sale of video distribution rights and television broadcasting rights, sale of video containing other drama serials and replicating charges, which amounted to approximately \$809,000 in total. The decrease in revenue from the sale of video containing TVB classic sell-through titles was mainly due to a short

supply of TVB classic sell-through titles during FY2005 arising from TVBI's reorganisation of programmes for distribution. The increase in revenue from the sale of video containing other drama serials was due mainly to repeat orders for certain popular titles, such as "My Fair Princess III (还珠格格第三部-天上人间)", "Love Storm (狂爱龙卷风)" and "The Outsiders (斗鱼)".

Revenue from other countries increased by approximately \$1.8 million or 378.2% from \$476,000 in FY2004 to \$2.3 million in FY2005. The increase was due mainly to sale of video distribution rights and television broadcasting rights in relation to more titles for the Malaysia territory in FY2005.

Cost of sales and gross profit margin

Cost of sales decreased by \$2.7 million from \$12.4 million in FY2004 to \$9.7 million in FY2005. The decrease was due mainly to a decrease of \$1.2 million in purchases of TVB classic sell-through titles, lower licence fees for non-TVB drama serials and single title video programmes which decreased by \$853,000 in total and a decrease of \$0.5 million in replicating cost.

The decrease in purchases of TVB classic sell-through titles was in line with the decrease in revenue generated by these products as a result of a short supply of TVB classic sell-through titles during FY2005.

Licence fees for non-TVB drama serials and single title video programmes decreased by a total of \$853,000. This was mainly because we managed to secure a few titles in FY2005 at relatively low licence fees and as stated above, we had repeat orders for certain popular non-TVB titles, for which the licence fees had been fully recognized in the previous years. In addition, in FY2005, we adopted a new accounting policy which allows us to defer 20% of our licence fees until the relevant titles are released on DVD. The average time lag between the release of titles on VCD and DVD for single title video programmes and serial programmes are approximately 9 months and 24 months respectively.

In spite of a marginal increase in replicating charges, replicating cost decreased by \$0.5 million due to surplus stock of the video of TVB first-run titles from the previous year and the absence of encoding and mastering costs, which had already been incurred in the previous year. We had surplus stock of the video of TVB first-run titles accumulated from the previous year when we outsourced the replication of VCD and DVD for TVB first-run titles to third party replication service providers. We had ordered a certain minimum quantity to obtain better pricing for the replication of each title. The surplus stock, of which cost had been recognised in FY2004, became our second-run titles in FY2005.

Correspondingly, gross profit margin for Singapore increased from 22.1% in FY2004 to 37.6% in FY2005.

Gross profit margin for other countries increased from 27.0% in FY2004 to 56.8% in FY2005 due to better selling prices for the distribution rights sold during the year.

As a result of increased revenue and lower cost of sales, our gross profit margin increased from 22.2% in FY2004 to 40.3% in FY2005.

Distribution costs

Distribution costs remained approximately at the same level during FY2005 as compared to FY2004.

Administrative expenses

Administrative expenses increased by approximately \$721,000 or 38.8% from \$1.9 million in FY2004 to \$2.6 million in FY2005 due mainly to increased staff costs and other administrative expenses. Staff costs increased by approximately \$470,000 or 36.5% due to an increase in number of staff from 35 as at the end of FY2004 to 41 as at the end of FY2005 and salary increments of our Directors and employees. The increase in other administrative expenses was due mainly to an increase of \$157,000 in depreciation expenses arising from a new motor vehicle purchased in FY2005.

Other operating expenses

Other operating expenses increased marginally by approximately \$30,000 due mainly to increased travelling expenses. We attended more exhibitions to maintain contacts with film producers and distributors in FY2005.

Finance cost

Finance cost decreased marginally by approximately \$2,000 in FY2005 as we fully repaid the leases on the computers and video recording equipment in FY2004.

Profit before income tax

As a result of the above, our profit before income tax increased significantly by \$2.2 million from \$1.1 million in FY2004 to \$3.3 million in FY2005.

Income tax

Our tax expense increased by \$603,000 from \$140,000 in FY2004 to \$743,000 in FY2005. The effective tax rate of our Group for FY2005 was 22.5%, which was higher than the applicable corporate tax rate of 20%. This was because the expenses relating to motor vehicles are not deductible for income tax purposes.

FOREIGN EXCHANGE MANAGEMENT

As our operations are wholly conducted in Singapore, our revenue and purchases are mainly denominated in Singapore Dollars. For FY2005, approximately 9.7% and 8.6% of our revenue and our purchases was denominated in foreign currency, comprising United States Dollars and Malaysia Ringgit. We bill our customers in the foreign currency used to denominate the purchase of the product resulting in the sale.

As our sales are presently largely transacted in Singapore Dollars, our Directors believe that our Group is currently exposed to limited foreign exchange risk. At present, we do not have any formal policy for hedging against foreign exchange exposure but we may consider utilising appropriate foreign currency hedging facilities to hedge any material foreign exchange exposure when the need arises in future.

EXCHANGE CONTROLS

As at the Latest Practicable Date, our operations are based solely in Singapore. There are no exchange controls in Singapore applicable to our Group. Our Group is not subject to exchange controls in countries outside Singapore.

Our revenue is primarily derived in Singapore. Accordingly, our result is not subject to exchange controls. In Singapore, there are no governmental laws, decrees, regulations or other legislation that may affect the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-residential holders of the Company's securities.

LIQUIDITY AND CAPITAL RESOURCES

Our Group has been funded through the use of both internal and external sources of funds. Our internal sources of funds comprise cash generated from operations and capital provided by our Shareholders. Our external sources of funds comprise mainly credit facilities from banks and financial institutions. We also obtain credit from our suppliers.

Such sources of funds are used to finance our operations. The principal uses of these funds are for the payment of inventories, capital expenditures, operating expenses comprising distribution costs and administrative expenses.

As at the Latest Practicable Date, we have cash and cash equivalents comprising cash and bank balances of \$462,000. We also have bank facilities of \$1,600,000 from OCBC Bank, comprising an overdraft of \$250,000, banker's guarantee of \$600,000 and draft loans of \$750,000, and an overdraft of \$100,000 with Malayan Banking Berhad, to finance our operations. In relation to the bank facilities from OCBC Bank, the interest rates for the overdraft facilities and the draft loans are 1.5% per annum and 1.25% per annum above the bank's prevailing prime lending rate respectively. The interest rate for the overdraft facilities with Malayan Banking Berhad is 6.88% per annum for the first three months (from October 2005), and thereafter at 8.88% per annum or such other rates as advised by the bank. Overdraft facilities from OCBC Bank and Malayan Banking Berhad are repayable on demand, while draft loans have maturity terms of up to 90 days. As at the Latest Practicable Date, of the available overdraft facilities, \$72,000 has been utilised, leaving a balance of \$278,000 available for utilisation. Of the draft loans of \$750,000, we have utilised \$660,000, leaving a balance of \$90,000 for utilisation.

Our Directors are of the opinion that as at the date of lodgment of this Prospectus, after taking into account our present banking facilities, cash generated from operating activities and our cash and bank balances, our Group has adequate working capital for our present requirements.

Summary of Cash Flows

The following table sets out a summary of our Group's cash flow for the past financial year ended 30 April 2005:

\$'000	Proforma FY2005
Cash flows from operating activities	
Operating profit before working capital changes	3,760
Increase in trade receivables	(2,395)
Decrease in other receivables and prepayments	251
Increase in inventories	(340)
Increase in deferred expenditure	(133)
Decrease in trade payables	(79)
Decrease in other payables	(81)
Cash generated from operations	983
Interest paid	(30)
Income tax paid	(86)
Net cash generated from operating activities	867
Net cash used in investing activity	(297)
Net cash used in financing activity	(160)
Increase in cash and bank balances	410

Net cash generated from operating activities

For FY2005, we recorded a net cash generated from operating activities of approximately \$867,000. This arose from our operating profit before working capital changes of approximately \$3.8 million, decrease in working capital of approximately \$2.8 million and was offset by interest and income tax payments of approximately \$30,000 and \$86,000 respectively. The \$2.8 million outflow from working capital changes was mainly due to increases in trade receivables, inventories, deferred expenditure amounting to approximately \$2.4 million, \$340,000 and \$133,000 respectively and decreases in trade and other payables amounting to approximately \$160,000 in total. The increase in trade receivables was due mainly to longer credit terms extended to certain major customers whose credit worthiness had been satisfactory. Our debtors' turnover increased from 27 days in FY2004 to 69 days in FY2005. The increase in inventory was due mainly to more VCD and DVD carried which was in line with an increase in the number of titles secured in FY2005. The increase in deferred expenditure was due to the adoption of a new accounting policy so as to better reflect revenue and cost matching. Deferred expenditure relate to licence fees for non-TV drama serials and single title video programmes. In the past, all such licence fees were recognised in full when revenue from the exploitation of the relevant licence is earned. The new accounting policy allows for deferrals of 20% of film costs to match revenue generated in future when we release the relevant titles on DVD. This is because after securing the distribution rights, we normally release the products on VCD first followed by DVD depending on market demand. The decreases in trade and other payables were due to prompt payments to certain creditors in line with credit terms.

In FY2005, there were other cash outflows for the payment of interest and income tax and our net cash inflow from operating activities was approximately \$867,000.

Net cash used in investing activities

In FY2005, net cash used in investing activities was due to cash payment of \$297,000 for the purchase of plant and equipment, comprising motor vehicle, office renovation, office equipment and furniture and fixtures.

Net cash used in financing activities

In FY2005, net cash used in financing activities was \$160,000 due to the repayment of finance leases relating to the purchase of motor vehicles.

CAPITAL EXPENDITURES, INVESTMENTS AND DIVESTMENTS

The capital expenditures and divestments made by our Group for the three financial years ended 30 April 2005 and up to the Latest Practicable Date are as follows:

\$'000	FY2003	FY2004	FY2005	From 1 May 2005 to the Latest Practicable Date
Capital Expenditure				
Purchase of motor vehicles	806	438	670	119
Office equipment	52	67	41	33
Furniture and fittings	30	20	28	19
Other assets	48	87	94	2,029
Total	936	612	833	2,200

\$'000	FY2003	FY2004	FY2005	From 1 May 2005 to the Latest Practicable Date
Capital Divestment				
Proceeds from disposal of associated company ⁽¹⁾	—	—	220	—
Disposal of motor vehicles	—	463	—	—
Total	—	463	220	—

Note:

(1) This refers to disposal of our shareholdings in Infodisc Multimedia Manufacturing Pte Ltd in May 2004. The investment was made in FY2003 at the cost of \$220,000.

Subsequent to 30 April 2005 and up to the Latest Practicable Date, we have incurred capital expenditure of approximately \$2.2 million. This mainly relates to the procurement of two VCD and DVD replicating equipment pursuant to the agreements with Omnidisc Manufacturing Pte Ltd entered in April 2005 to lease the equipment with an option to purchase the same, as well as other equipment and assets (including a quality control system and a printer used in connection with the replication of VCD and DVD) which amounted to approximately \$1.7 million in total. This capital expenditure was funded by suppliers' credit, finance lease from a bank and funds generated from internal resources.

Capital commitments

As at the Latest Practicable Date, we have outstanding capital commitments of \$340,000 relating to the purchase of a new motor vehicle to replace an existing motor vehicle. Please refer to the "Capitalisation and Indebtedness" section on page 55 of this Prospectus for more details.

CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and bank balances, capitalisation and indebtedness, based on our unaudited proforma consolidated balance sheet as at 30 November 2005, as adjusted for:

- (1) the Restructuring Exercise, the Share Consolidation and the Share Split; and
- (2) the application of the net proceeds from the issue of the New Shares, after deducting estimated expenses related to the Invitation.

The table should be read in conjunction with the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information and the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the Period from November 24, 2004 (Date of Incorporation) to April 30, 2005 as set out in Appendices A and B of this Prospectus and the related notes included in this Prospectus and the sections entitled "Review of Past Performance" as set out on pages 42 to 49 of this Prospectus.

\$'000	As at 30 November 2005	As adjusted for the Restructuring Exercise, Share Consolidation and the Share Split	As adjusted for the application of the net proceeds from the issue of the New Shares
Cash and bank balances	n.m.	399	4,499
Short term debt:			
Overdraft, guaranteed	—	37	37
Draft loans, guaranteed	—	440	440
Current portion of finance leases, guaranteed and secured	—	836	836
Long term debt:			
Finance leases, guaranteed and secured	—	1,249	1,249
Total indebtedness	—	2,562	2,562
Total shareholders' equity	n.m.	4,765	8,865
Total capitalisation and indebtedness	n.m.	7,327	11,427

As at 30 November 2005 as adjusted for the Restructuring Exercise, Share Consolidation and Share Split, we had cash and bank balances of \$399,000. The finance leases amounting to \$2.1 million bear interest rates ranging from 2.2% to 5.0% and are secured by machinery and motor vehicles with a carrying amount of approximately \$2.4 million. The finance leases relate to machinery and motor vehicles and have maturity terms ranging from two years to ten years from the commencement of the respective finance lease.

To the best of our Directors' knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders.

We expect to incur additional indebtedness of approximately \$101,000 in respect of the purchase of a motor vehicle to replace an existing motor vehicle. Please refer to the "Capital Expenditures, Investments and Divestments" section on page 54 of this Prospectus for more details on our capital commitments. Save as disclosed above, since 30 November 2005 to the date of this Prospectus, there were no material changes in our total capitalisation and indebtedness, save for changes in our retained earnings arising from the day-to-day operations in the ordinary course of our business.

The increase in cash and bank balances of approximately \$4.1 million is due to the net proceeds from the issue of the New Shares pursuant to the Invitation.

Contingent liabilities

As at 30 November 2005, our contingent liabilities amounted to \$925,000. This relates to the corporate guarantee provided by Scorpio East to Omnidisc Manufacturing Pte Ltd for the lease of two VCD and DVD replicating equipment to our subsidiary, SEM pursuant to the agreements entered in April 2005 to lease the equipment with an option to purchase the same.

DILUTION

Dilution is the amount by which the Invitation Price to be paid by the applicants for our Invitation Shares (“New Investors”) in the Invitation exceeds our NAV per Share after the Invitation. The NAV per Share as at 30 April 2005 after adjusting for the Restructuring Exercise but before adjusting for the net proceeds from the Invitation and based on the pre-Invitation issued and paid-up share capital of 57,868,117 Shares was 6.00 cents.

Based on the issue of 24,800,000 New Shares at the Invitation Price of \$0.21 for each New Share pursuant to the Invitation and after deducting the estimated issue expenses and adjusting for any disposal or acquisition which occurred between 30 April 2005 and the date of this Prospectus, the adjusted NAV of our Group as at 30 April 2005 would have been 9.16 cents per Share based on the post-Invitation issued and paid-up share capital of 82,668,117 Shares. This represents an immediate increase in NAV of 3.16 cents per Share to our existing Shareholders and an immediate dilution in NAV of 11.84 cents per Share (or approximately 56.38%) to our New Investors. The following table illustrates such dilution on a per Share basis:

	Cents
Invitation Price	21.00
NAV per Share as at 30 April 2005 based on our Company’s pre-Invitation share capital of 57,868,117 Shares ⁽¹⁾	6.00
Increase in NAV per Share contributed by New Investors	3.16
NAV per Share after the Invitation	9.16
Dilution in NAV per Share to New Investors	11.84

Note:

(1) NTA per Share as at 30 April 2005 based on our Company’s pre-Invitation share capital of 57,868,117 Shares was 5.77 cents.

The following table summarises the total number of Shares issued by us, the total consideration paid to us and the average price per Share paid by our existing Shareholders (after adjusting for the Restructuring Exercise), and the New Investors pursuant to the Invitation:

	Number of Shares	%	Consideration \$	%	Average price per Share (cents)
Existing Shareholders	57,868,117	70.0	3,472,087	40.0	6.0
New Investors	24,800,000	30.0	5,208,000	60.0	21.0
Total	82,668,117	100.0	8,680,087	100.0	

GENERAL INFORMATION ON OUR GROUP

SHARE CAPITAL

We were incorporated in Singapore on 24 November 2004 under the Companies Act as a private company limited by shares under the name of “Scorpio East Holdings Pte. Ltd.”. In connection with our conversion to a public company limited by shares, we changed our name to “Scorpio East Holdings Ltd.” on 19 December 2005.

As at the date of incorporation of our Company, our authorised share capital was \$30,000,000 comprising 30,000,000 ordinary shares of \$1 each and our issued and paid-up share capital was \$2 comprising two ordinary shares of \$1.00 each.

On 7 December 2005, pursuant to the Restructuring Exercise, our issued and paid-up share capital was increased to \$3,472,087 comprising 3,472,087 ordinary shares of \$1.00 each, following the allotment and issue of a total of 3,472,085 ordinary shares of \$1.00 each.

Pursuant to written resolutions of our Shareholders dated 7 December 2005, our Shareholders approved, *inter alia*, the following:

- (i) the consolidation of three ordinary shares of \$1.00 each in our authorised and issued share capital into one ordinary share of \$3.00 each;
- (ii) the sub-division of one ordinary share of \$3.00 each in our authorised and issued share capital into 50 ordinary shares of \$0.06 each;
- (iii) the conversion of our Company into a public limited company and the consequential change of name to “Scorpio East Holdings Ltd.”;
- (iv) the adoption of a new set of Articles of Association;
- (v) the issue of the New Shares pursuant to the Invitation which when fully paid, issued and allotted, will rank *pari passu* in all respects with the existing issued shares of our Company; and
- (vi) the authorisation for our Directors, pursuant to Section 161 of the Companies Act and the Articles of Association, to allot and issue Shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares and convertible securities which may be issued pursuant to such authority shall not exceed 50% of the issued share capital of our Company, of which the aggregate number of Shares and convertible securities which may be issued other than on a pro-rata basis to our existing Shareholders of our Company shall not exceed 20% of the issued share capital of our Company (the percentage of issued share capital being based on the post-Invitation issued share capital of our Company after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by our Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of our Company or on the date by which the next annual general meeting is required by law to be held, whichever is earlier.

As at the date of this Prospectus, there is only one class of shares in the capital of our Company, being ordinary shares. A summary of the Articles of Association of our Company relating to the voting rights of shareholders is set out in Appendix E on pages E-7 to E-11 of this Prospectus. There are no founder, management or deferred Shares.

Details of changes in the issued and paid-up share capital of our Company since its date of incorporation and our issued and paid-up share capital immediately after the Invitation are as follows:

	Par value of shares (\$)	Number of new shares issued	Resultant share capital Number of shares	(\$)
Issued and fully paid ordinary shares as at incorporation	1	2	2	2
Restructuring Exercise	1	3,472,085	3,472,087	3,472,087
Share Consolidation	3	—	1,157,362	3,472,087
Share Split	0.06	—	57,868,117	3,472,087
New Shares issued pursuant to the Invitation	—	24,800,000	82,668,117	7,572,087
Post-Invitation issued and paid-up share capital	—	—	82,668,117	7,572,087

The Shareholders' funds of our Company as at incorporation, before and after adjustment to reflect the Share Consolidation, the Share Split and the Invitation are set out below. This should be read in conjunction with the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information and the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the period from November 24, 2004 (Date of Incorporation) to April 30, 2005 as set out in Appendices A and B of this Prospectus:

	As at incorporation \$	After the Restructuring Exercise, the Share Consolidation and the Share Split \$	After the Invitation \$
Shareholders' funds			
Issued and paid-up share capital	2	3,472,087	7,572,087
Retained earnings	—	—	—
Shareholders' funds	2	3,472,087	7,572,087

RESTRUCTURING EXERCISE

Prior to the Invitation, we undertook a reorganization of our corporate structure to streamline and rationalize our Group structure and business activities, resulting in our Company being the investment holding company of our Group. The following steps were taken in the Restructuring Exercise:

(a) *Incorporation of our Company*

On 24 November 2004, our Company was incorporated in Singapore as an investment holding company of our Group.

(b) *Incorporation of SEP(HK) and SESB*

SEP(HK) and SESB were incorporated on 5 January 2005 and 20 January 2005, in Hong Kong and Malaysia, respectively.

(c) *Acquisition of SEM and SEP by our Company*

- (i) Pursuant to an agreement dated 19 July 2005, our Company acquired all of the issued and paid-up share capital of SEM that was held by Scorpio East, comprising 500,000 ordinary shares of \$1 each in the capital of SEM, for an aggregate consideration of \$478,495. The consideration was based on the audited net asset value of SEM of \$631,614, and the total issued share capital of \$660,000 comprising 660,000 ordinary shares of \$1 each, as at 30 April 2005. The shares were transferred with all rights, benefits and interests in and to the shares as at 1 May 2005 and thereafter. The aggregate consideration remained as an amount owing by our Company to Scorpio East. Please refer to note (1) on the “Subsidiaries” section on page 61 of this Prospectus for details of the other shareholders of SEM.
- (ii) Pursuant to an agreement dated 19 July 2005, our Company acquired the entire issued and paid-up share capital of SEP from Scorpio East, comprising one ordinary share of \$1 each in the capital of SEP for a nominal consideration of \$1. The consideration was based on nominal consideration as the audited net asset value of SEP was negative in the amount of \$1,679 as at 30 April 2005. The shares were transferred with all rights, benefits and interests in and to the shares as at 1 May 2005 and thereafter. The consideration remained as an amount owing by our Company to Scorpio East.

(d) *Acquisition of Scorpio East by our Company*

Pursuant to a Restructuring Agreement dated 19 July 2005, our Company acquired the entire issued and paid-up share capital of Scorpio East, comprising 850,000 ordinary shares of \$1 each from the then existing shareholders of Scorpio East (“Selling Shareholders”) for an aggregate consideration of \$3,472,085. The consideration was arrived at on a willing buyer willing seller basis having regard to the audited net asset value of Scorpio East of \$3,472,087 as at 30 April 2005, and was satisfied by the allotment and issue of 3,472,085 ordinary shares of \$1 each fully paid at par in the capital of our Company to the Selling Shareholders. The number of shares held by the Selling Shareholders after the Restructuring Exercise and taking into consideration the one share each in the capital of our Company being held by John Ho and Venessa Lian as at the incorporation of our Company are as follows:

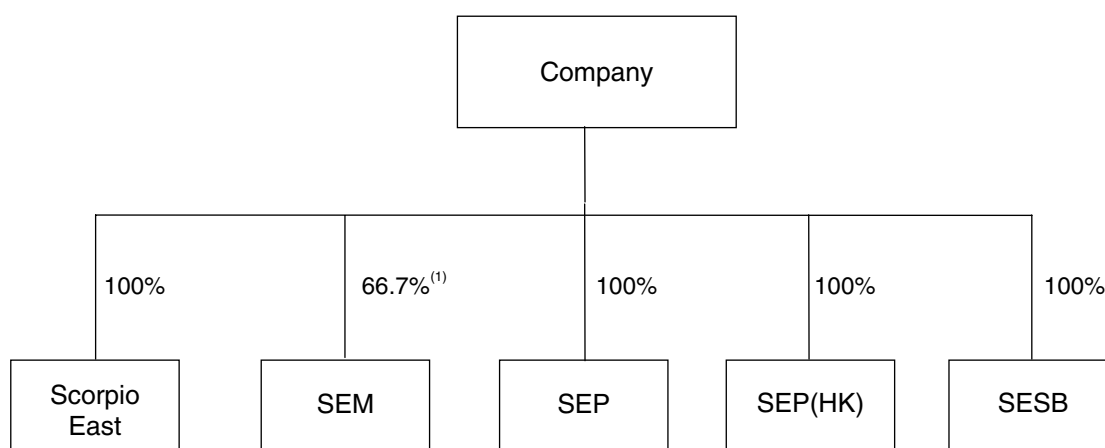
Selling Shareholders	Number of shares held in Scorpio East	Number of shares of \$1.00 each issued in the capital of our Company
John Ho	471,750	1,927,008
Venessa Lian	180,000	735,388
Lian Poh Heng	127,500	520,813
Pang Ee Ni	38,250	156,244
Quek Yeen Yeen Serene	32,500	132,634
Total	850,000	3,472,087

Under the Restructuring Agreement, the shares were transferred with all rights, benefits and interests in and to the shares as at 1 May 2005 and thereafter.

Upon the completion of the Restructuring Exercise, our Company became the holding company of Scorpio East, SEM, SEP, SEP(HK) and SESB.

GROUP STRUCTURE

Our Group structure following the Restructuring Exercise but before the Invitation is as follows:



SUBSIDIARIES

The details of our subsidiaries as at the date of this Prospectus are as follows:

Name of company	Date and place of incorporation	Principal place of business and principal business	Issued and paid-up capital	Equity interest held by our Company
Scorpio East	17 February 1994 Singapore	6 Harper Road #02-01 Leong Huat Building Singapore 369674 Distribution of video programmes for home entertainment	\$850,000	100%
SEM	22 December 2003 Singapore	6 Harper Road #02-01 Leong Huat Building Singapore 369674 VCD and DVD replicating business	\$750,000	66.7% ⁽¹⁾
SEP	6 October 2004 Singapore	6 Harper Road #02-01 Leong Huat Building Singapore 369674 Film production investment, provision of producer services, acquisition and distribution of film rights	\$1	100%
SEP(HK)	5 January 2005 Hong Kong	12F Ruttonjee House 11 Duddell Street Central Hong Kong Acquisition and distribution of film rights from Greater China region for distribution in the South East Asian markets	HK\$1	100%

Name of company	Date and place of incorporation	Principal place of business and principal business	Issued and paid-up capital	Equity interest held by our Company
SESB	20 January 2005	312, 3rd Floor, Block C, Kelana Square 17 Jalan SS7/26 47301 Petaling Jaya, Selangor Darul Ehsan Acquisition and distribution of film rights within the territory of Malaysia	RM2	100%

Note:

- (1) Cho Chak Ying and Yap Say Nai (who are both unrelated third parties) subscribed for 100,000 shares and 60,000 shares of \$1 each in the capital of SEM respectively on 30 April 2005, resulting in an issued and paid-up share capital of \$660,000 in SEM as at 30 April 2005. On 19 May 2005, Yap Say Nai subscribed to a further 90,000 shares in SEM. As at the date of this Prospectus, Cho Chak Ying and Yap Say Nai hold 13.3% and 20.0% of the issued and paid-up share capital of SEM respectively.

None of our subsidiaries is listed on any stock exchange. We do not have any associated company.

SHAREHOLDERS

Our Shareholders and their respective shareholdings in our Company immediately before and after the Invitation are set out below:

	Before the Invitation				After the Invitation			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Ho Ah Huat ^{(1),(2)}	31,795,805	54.95	—	—	31,795,805	38.46	—	—
Lian Lee Lee ^{(1),(3)}	12,134,467	20.97	—	—	12,134,467	14.68	—	—
Yee Kit Hong	—	—	—	—	—	—	—	—
Dr Chong Weng Chiew	—	—	—	—	—	—	—	—
Chia Hoo Khun Valery Kelvin	—	—	—	—	—	—	—	—
Substantial Shareholder								
Lian Poh Heng ⁽³⁾	8,593,218	14.85	—	—	6,149,218	7.44	—	—
Others								
Quek Yeen Yeen Serene ⁽²⁾	2,188,562	3.78	—	—	1,565,562	1.89	—	—
Pang Ee Ni	2,578,065	4.45	—	—	1,845,065	2.23	—	—
Employees ⁽⁴⁾	578,000	1.00	—	—	578,000	0.70	—	—
Public (including Reserved Shares)	—	—	—	—	28,600,000	34.60	—	—
Total	57,868,117	100.0			82,668,117	100.0		

Notes:

- (1) Ho Ah Huat and Lian Lee Lee, both our Directors, are husband and wife.
(2) Quek Yeen Yeen Serene is the niece of our Director, Ho Ah Huat.
(3) Lian Poh Heng is the brother of our Director, Lian Lee Lee.
(4) Our Shareholders, Ho Ah Huat, Lian Lee Lee, Lian Poh Heng, Pang Ee Ni and Quek Yeen Yeen Serene, had on 18 January 2006 transferred an aggregate of 578,000 Shares (being 1.00% of our pre-Invitation share capital) to certain employees in the form of a gift. Such employees who were entitled to the 578,000 Shares include our Executive Officers, Lim Kien Nam, and Tay Joo Heng, who were entitled to 57,000 Shares each, and Teo Choong Nan and Titus Ho Wing Lam, who were entitled to 40,000 Shares each. Ng Eng See, who is the brother-in-law of John Ho and who is holding the position of Production Manager, was entitled to 28,000 Shares and Stephen Quek Pok Yeow, who is the nephew of Ho Ah Huat and our Senior Marketing Executive, was entitled to 17,000 Shares.

Save as disclosed above, there are no other relationships among our Directors and Substantial Shareholders.

The Shares held by our Directors and Substantial Shareholders do not have different voting rights from other shareholders of our Company.

There is no known arrangement, the operation of which, may, at a subsequent date, result in a change in the control of our Company.

There has not been public take-over offer by a third party in respect of our Shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred between 1 May 2004 and the Latest Practicable Date.

Significant Changes in Percentage of Ownership

Save as disclosed under “Restructuring Exercise” on pages 58 and 59 of this Prospectus, there were no significant changes in the percentage of ownership of shares in our Company during the last three financial years and up to the Latest Practicable Date.

VENDORS

The names of the Vendors and the number of Vendor Shares which each of the Vendors will offer pursuant to the Invitation are set out below:

Name/Address/Relationship with our Group	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
	Number of Shares	% of pre-Invitation share capital	Number of Vendor Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Lian Poh Heng No 10 Jalan Suria Taman Suria 8 81100 Johor Bahru Malaysia	8,593,218	14.85	2,444,000	4.22	6,149,218	7.44
Quek Yeen Yeen Serene 131 Bedok North Avenue 3 #13-118 Singapore 460131	2,188,562	3.78	623,000	1.08	1,565,562	1.89
Pang Ee Ni No 37 Jalan Dedap 46 Taman Johor Jaya 81100 Johor Bahru Malaysia	2,578,065	4.45	733,000	1.27	1,845,065	2.23

MORATORIUM

In demonstration of their commitment to our Group, John Ho, Venessa Lian and Lian Poh Heng, our Substantial Shareholders, who own in aggregate 50,079,490 Shares, representing approximately 60.58% of the enlarged issued and paid-up share capital of our Company after the Invitation, have each undertaken not to sell, realise, transfer or dispose of any part of their respective interests in the issued share capital of our Company for a period of six months from the date of our Company’s admission to the Official List of the SGX Sesdaq, and for a period of six months thereafter, they have each undertaken to retain at least 50% of their respective original interests (adjusted for any bonus issue or subdivision) in our Company.

HISTORY

Our Company was incorporated on 24 November 2004 in Singapore under the Act as a private company limited by shares under the name of “Scorpio East Holdings Pte. Ltd.”. Pursuant to the Restructuring Exercise, our Company acquired SEM and SEP from Scorpio East and subsequently acquired Scorpio East from its respective shareholders, thus becoming the holding company of our Group. On 19 December 2005, our Company was converted to a public company limited by shares and changed its name to “Scorpio East Holdings Ltd.”.

Our history began in February 1994 when our CEO and Executive Director, John Ho, incorporated Golden Mandarin Video Pte Ltd (the former name of Scorpio East) with a relative to distribute Chinese language single movies on laser disc and VHS. Our Executive Director, Venessa Lian, joined Golden Mandarin Video Pte Ltd in 1998 as a shareholder and director. Golden Mandarin Video Pte Ltd scaled down its operations with little trade transactions after mid-1999 when John Ho set up Golden Mandarin Organisation Pte Ltd (a company that is not related to our Group) with Venessa Lian and some other unrelated third parties to distribute TVB drama serials in Singapore. John Ho resigned as a director of Golden Mandarin Video Pte Ltd in July 2001.

Around August 2002, our Executive Director, Venessa Lian, reorganised the business for the distribution of Chinese language single movies on video under Golden Mandarin Video Pte Ltd. In August 2002, Golden Mandarin Video Pte Ltd changed its name to “Scorpio East Entertainment Pte. Ltd.”. At that time, we secured exclusive licensing rights for the distribution of Raintree Pictures’ film “The Eye (见鬼)” on VCD and DVD for sale in Singapore. That was our first successful foray into the distribution of films produced by a production house that is related to MediaCorp Pte Ltd, a television broadcaster in Singapore. At that time, we were distributing mainly single movies and drama serials on video covering a wide genre, including action, thriller, horror and adventure, and these single movies were obtained mainly from Harvest Ocean, Regentact, Media Banker (HK) Ltd and Shaw Renters.

In September 2002, we granted video distribution rights for the Malaysia territory in relation to a Taiwanese drama serial, “My Fair Princess III (还珠格格第三部-天上人间)”, to Speedy Video. That started our business relationship with Speedy Video, an operator of a wide network of approximately 80 retail outlets in Malaysia.

In early 2003, we secured the exclusive video distribution rights from TVBI to distribute TVB serial programmes in Singapore for a period of one year from 1 May 2003. John Ho was instrumental in securing the exclusive video distribution rights from TVBI and was re-appointed a director of Scorpio East in August 2003. This marked a major milestone in our history. At that time, we were operating from our office premises of 2,340 sq ft located at 6 Harper Road #02-01 Singapore with an initial staff strength of six staff. In March 2003, we rented another premises of 2,340 sq ft in the same building to carry out VHS duplication to serve our sub-licensees of TVB video programmes for video distribution. After we secured the exclusive video distribution rights to distribute such TVB serial programmes, we started to develop rapport with the then existing network of approximately 93 video retailers that were distributing TVB serial programmes before we obtained the distribution rights from TVBI. As at 31 October 2005, the video distribution network for TVB serial programmes has grown to approximately 168 retail outlets in Singapore.

In August 2003, we obtained exclusive video distribution rights from Speedy Video to distribute a Taiwanese drama serial entitled “Love Storm (狂爱龙卷风)” in Singapore, which further fostered our business relationship with Speedy Video.

In October 2003, Scorpio East was granted an exclusive sub-licence from TVBI for the distribution of drama serials produced by CCTV, the PRC’s largest national television network, on video for home rental and for sale in Singapore. Through this, we were able to gain access to programmes made in the PRC.

In November 2003, we secured exclusive video distribution rights for Raintree Pictures’ film “Turn Left Turn Right (向左走向右走)” for both the Singapore and Malaysia territories. In June 2004, we secured the exclusive video distribution rights for MediaCorp Studios’ drama serials “Dragon Heroes (赤子乘龙)”, “Coup de Scorpio (天蝎行动)”, “Master Swordsman Lu Xiao Feng I & II (陆小凤I & II)” and “True Heroes

《真心英雄》” for the Singapore territory. In July 2004, we secured the exclusive distribution rights for another Raintree Pictures’ film “The Best Bet (《突然发财》)” for the Malaysia territory. For the video distribution rights secured for the Malaysia territory, we assign such distribution rights mainly to Speedy Video and Harvest Ocean, which are our sub-distributors.

In early 2004, TVBI renewed the TVBI Licence Agreements with our Group for a second year from May 2004 to April 2005. This was subsequently renewed for another two years from May 2005 to April 2007.

During 2004, we acquired the distribution rights from Raintree Pictures to distribute certain single movies for television broadcasting in Malaysia and/or Brunei. These single movies included “Liang Po Po-The Movie (《梁婆婆重出江湖》)”, “The Truth About Jane & Sam (《真心话》)”, “The Tree (《孩子树》)” and “I Not Stupid (《小孩不笨》)”.

In June 2004, Scorpio East further expanded its office premises and leased another office space of approximately 4,500 sq ft located at 6 Harper Road #02-02 and #02-04, Singapore to house our marketing and distribution functions, storage and video collection point to serve our sub-licensees and resellers.

In October 2004, we secured exclusive video distribution rights from MediaCorp Studios for their Chinese language drama serial “The Champion (《任我遨游》)” for the Singapore and Malaysia territories. This was the first time we secured such exclusive distribution rights from MediaCorp Studios for their Chinese language drama serials for the Malaysia territory. Subsequently, we also secured exclusive video distribution rights from MediaCorp Studios for their Chinese language drama serial “Lotus Lantern (《宝莲灯》)” for both Singapore and Malaysia territories.

Having established a wide distribution network in Singapore and after making our foray into the Malaysia video distribution market through Speedy Video, we began exploring opportunities to move upstream in the vertical business chain of our industry by investing in the production of films, in order to secure our distribution rights in the film at the earliest possible stage. SEP was incorporated in October 2004 in Singapore to invest in film production locally and overseas and to acquire distribution rights in motion pictures including for theatrical release, television broadcasting and video distribution (please refer to “Our Future Plans” on page 92 of this Prospectus for further details). We commenced co-investment in film production in June 2005 and our maiden investment was our collaboration with Raintree Pictures in the production of the film entitled “I Not Stupid Too”, a sequel to a popular local Chinese movie, “I Not Stupid”.

SEP(HK) and SESB were incorporated on 5 January 2005 and 20 January 2005, in Hong Kong and Malaysia, respectively. They were incorporated for the purposes of our business expansion (please refer to “Our Future Plans” on page 91 of this Prospectus for further details).

As a strategic move to have better control over the VCD and DVD replication activities which are essential in our video distribution business, as well as to achieve cost savings, we decided to handle some of our replication needs that are required for our video distribution business internally. In March 2005, our Group leased another floor space of 4,473 sq ft that is located at 6 Harper Road #01-02, Singapore to house our replication facilities for VCD and DVD. SEM (formerly known as Scorpio East Manufacturing Pte Ltd) was incorporated in December 2003 and commenced its replication of VCD and DVD operations in May 2005. Prior to this, the replication of VCD and DVD required for our video distribution business was wholly outsourced to third party service providers.

Due to the recent liberalisation of advertising rules in Singapore taking effect in January 2005, third party advertisers are allowed to place advertisements in video programmes (other than to promote cigarettes and controlled health products). Advertising fees will become a new source of revenue stream for us. Currently, we have outsourced the promotion and securing of third party advertisements to be placed in our video programmes to an advertising agency, which is an unrelated third party.

In June 2005, we obtained our first multiple distribution rights from an independent producer to distribute a Korean single movie “She’s On Duty” for the Singapore, Malaysia and Brunei territories. These distribution rights include cinematic rights, television broadcasting rights and video distribution

rights. We also secured our first television broadcasting rights to distribute two Chinese language drama serials “Proud Of Twins (小鱼儿与花无缺)” and “天下第一媒婆” in Malaysia and Brunei from MediaCorp Studios.

In October 2005, we obtained video distribution rights from Buena Vista Home Entertainment, Inc. (“BVHE”) for a period of one year from 1 October 2005 to 30 September 2006. Under the home entertainment licensing agreement, we are granted the non-exclusive right to manufacture and distribute VCD and to distribute DVD of titles released by BVHE in Singapore. BVHE is a subsidiary of the Walt Disney Company.

BUSINESS

The video entertainment industry in Singapore evolved with the VCR gaining popularity for home use in the eighties, the introduction of LD and VCD players in the nineties, and followed by the increasing use of DVD players in recent years. The video entertainment industry grew as the prices of viewing equipment and video media became more affordable, resulting in a widespread ownership of VCR and VCD players in most households. In contrast, ticket prices for watching movies in movie theatres have risen significantly since the late eighties. In addition to being more portable, another key advantage of VCD and DVD is that they have more than one audio option, such that the viewer can select his choice of language. For example, Korean movies on VCD and DVD can be viewed in either Korean or Chinese language. These factors have encouraged the growth of the video entertainment industry in Singapore, thus creating a stronger demand for home entertainment programmes in various forms of video.

Watching motion pictures is one of the most popular leisure activities. After a certain period of first theatrical release in cinemas, motion pictures will usually be distributed to home viewers through various video media, followed by screening over the Pay-TV generally about one year after their video release. After that, these motion pictures will be released to television stations for broadcasting as home entertainment generally about 18 months after their video release. However, not all motion pictures produced are released in the cinema as their release will depend on the marketing efforts for such motion pictures and the popularity of their themes, actors and producers. Nonetheless, such films possess their intrinsic entertainment value and, when distributed in the form of video, such as VCD and DVD, offer an alternative to home viewers from those films that are screened in the cinemas.

Drama serials are serial programmes produced specifically for home entertainment and are generally available for rental and sale in the form of video. Non-Singaporean drama serials are first released in the Singapore market on video, followed by Pay-TV and subsequently released to television stations for broadcasting as home entertainment.

BUSINESS OVERVIEW

We are principally engaged in the distribution of Chinese language video entertainment programmes in Singapore, comprising both serial programmes and single title video programmes covering a wide genre, including action, thriller, horror and adventure. We also distribute selected video programmes (other than TVB serial programmes) to Malaysia by granting distribution rights for the Malaysia territory mainly to Speedy Video and Harvest Ocean, which are our sub-distributors.

We source and acquire video distribution rights mainly for suitable motion pictures or drama serials that are mainly produced in Hong Kong, Singapore, Taiwan and the PRC. We distribute TVB serial programmes (mainly drama serials) on video through our sub-licensees and resellers who operate approximately 168 retail outlets in Singapore as at 31 October 2005. We distribute other drama serials and single title video programmes mainly through the various retail outlets of the TS Group, Poh Kim, Popular Holdings Limited, Sembawang Music Holdings Ltd, HMV Singapore Pte Ltd and Carrefour Singapore Pte Ltd located in different parts of Singapore. Our business activities in the last three financial years can be organised into the following segments:

- Serial programmes
- Single title video programmes

In addition to video distribution rights, we have, since 2004, acquired the rights to distribute certain single movies to television stations (both Pay-TV and free-TV) for broadcasting in Malaysia and/or Brunei. As at the Latest Practicable Date, these television broadcasting rights are distributed to the Malaysia television stations mainly through Speedy Video and Harvest Ocean, our sub-distributors.

To complement our video distribution business, we have just started to be involved in content production, replication of VCD and DVD and the provision of advertising through the video medium. Please refer to "Our Business Strategies" on pages 90 and 91 of this Prospectus which illustrates the co-relation of the different aspects of our business.

Serial Programmes

We distribute the video of Chinese language serial programmes that are produced by TVB (a Hong Kong producer), MediaCorp Studios (a Singapore producer), CCTV (a PRC producer), Taiwanese and Korean producers. These serial programmes are mainly drama serials where TVB drama serials are distributed by us on video for both home rental and sale in Singapore, and other drama serials are distributed through the sale of their video.

TVB serial programmes

TVB is one of the largest free-TV broadcasters in Hong Kong and is one of the largest producers of Chinese language programmes in the world. TVB, together with its subsidiaries, produces a wide variety of Chinese language programmes including drama serials, variety shows, tele-movies, travelogues, current affairs programmes and cartoons. Some of these programmes are licensed to overseas video distributors for distribution in their respective territories. TVBI is the distribution arm of TVB and will appoint a distributor to distribute TVB serial programmes on video for home rental for each territory on an exclusive basis. These territories include Australia, Canada, Japan, Malaysia, New Zealand, Panama, Thailand, Taiwan, PRC, Indonesia, Cambodia, Vietnam, Europe and USA.

Rental

We have been granted exclusive rights from TVBI to distribute TVB serial programmes on video for home rental in Singapore. We categorise such TVB serial programmes (mainly drama serials) that are available for home rental into TVB first-run titles and TVB second-run titles as part of our marketing strategy. We classify TVB serial programmes that have not been released previously in the Singapore market as TVB first-run titles. Such TVB first-run titles are released on an episode-by-episode basis and are rented out for a period of usually less than one week. Based on our assessment of the market demand for the first-run titles after their first video release, we will then release them as TVB second-run titles for rental in a complete set for a longer rental period. Some of the TVB drama serials that are distributed by us are:



As at 31 October 2005, we distribute TVB serial programmes for rental through a network of approximately 140 retail outlets that are operated by our sub-licensees in Singapore, including a chain of 34 retail outlets operated by Poh Kim. Further details of our video distribution network are found in "Our Distribution Channel" on pages 72 to 74 of this Prospectus.

Under our licence agreement with TVBI, we may procure advertisements to be incorporated into the video medium. With the recent liberalisation of advertising rules in Singapore taking effect in January 2005 allowing third party advertisers to place advertisements in video programmes (other than to promote cigarettes and controlled health products), we plan to offer advertisers an alternative platform to advertise and promote their products or services through the video distributed by us to the Singapore

public. We have outsourced the procurement of advertisement on the video medium to an unrelated third party advertising agency. As this business is in its infancy stage, we do not expect it to contribute significantly to our Group's revenue for the next two financial years.

Sell-through

In addition to serial programmes for video rental, we have been granted exclusive rights from TVBI to sell TVB classic sell-through titles on video. TVB classic sell-through titles are popular TVB drama serials, concerts and variety programmes in serials, most of which have completed their screening in Hong Kong through the television. These drama serials, concerts and variety programmes in serials have continued to retain their popularity and appeal amongst home viewers.

Currently, we have entered into a non-exclusive reseller agreement with TS Digital Laser to sell TVB classic sell-through titles on VCD to consumers. Under the reseller agreement, TS Digital Laser is required to purchase an agreed volume of TVB classic sell-through titles at an agreed price during a specified period. In addition, these TVB classic sell-through titles are also distributed through the retail outlets of Poh Kim. Some of the TVB classic sell-through titles that we distribute are:

- The Condor Heroes 95 (神雕侠侣)
- Legend of the Condor Heroes (射雕英雄传之华山论剑)
- Legend of the Condor Heroes (射雕英雄传之东邪西毒)
- The Demi-Gods and Semi-Devils 1996 (天龙八部)
- The New Heaven Sword & The Dragon Sabre (倚天屠龙记)
- The Duke of Mount Deer (鹿鼎记)
- The Monkey King-Quest for the Sutra (齐天大圣—孙悟空)
- The Duke of Mount Deer 2000 (小宝与康熙)
- At the Threshold of an Era (创世纪)
- Detective Investigation Files (刑事侦缉档案)

Other drama serials

As at the Latest Practicable Date, we have been granted exclusive rights from MediaCorp Studios to distribute local Chinese language drama serials entitled "Dragon Heroes (赤子乘龙)", "Coup de Scorpion (天蝎行动)", "Master Swordsman Lu Xiao Feng I & II (陆小凤I & II)" and "True Heroes (真心英雄)" on video in Singapore. For MediaCorp Studios' drama serials entitled "The Champion (任我遨游)" and "Lotus Lantern (宝莲灯)", our video distribution rights cover both the Singapore and Malaysia territories. MediaCorp Studio is the content production arm of MediaCorp Pte Ltd, a television broadcaster in Singapore.

We have also been granted an exclusive sub-licence from TVBI to distribute Chinese language drama serials produced by CCTV, an operator of the PRC national television network, on video in Singapore. As at the Latest Practicable Date, we also distribute Chinese language drama serials produced by Taiwanese producers such as "Reaching For The Stars (真命天女)", "My Fair Princess III (还珠格格第三部-天上人间)", "Love Storm (狂爱龙卷风)" and "The Outsiders (斗鱼)" and Korean drama serials dubbed in Chinese language such as "Sad Love Story (悲伤恋歌)" on video in Singapore.

These non-TVB drama serials are distributed to home viewers through the sale of their VCD and/or DVD mainly through the various retail outlets of the TS Group, Poh Kim, Popular Holdings Limited, Sembawang Music Holdings Ltd, HMV Singapore Pte Ltd and Carrefour Singapore Pte Ltd, located in different parts of Singapore.

Single title video programmes

In addition to serial programmes, we also obtain the video distribution rights from various content producers and film distributors for a wide variety of home entertainment video programmes, which are principally Chinese language single movies covering a wide genre including action, thriller, horror and adventure. We also obtain video distribution rights for other types of single title video programmes such as Chinese language concerts, variety shows and English language children's programmes.

We distribute such video programmes for home entertainment mainly through the various retail outlets of the TS Group, Poh Kim, Popular Holdings Limited, Sembawang Music Holdings Ltd, HMV Singapore Pte Ltd and Carrefour Singapore Pte Ltd, located in different parts of Singapore. Some of the video programmes that we have acquired video distribution rights since 2002 are:

<i>Name of Content Producer or Film Distributor</i>	<i>Title of Video Programme</i>
EMP Distribution Limited	New Police Story (新警察故事) Enter The Phoenix (大佬爱美丽)
Fortune Star	Crime Story (重案组), Police Story (警察故事), Police Story II (警察故事续集), Police Story III (警察故事III), Once Upon A Time in China (黄飞鸿), Once Upon A Time in China II (黄飞鸿II) and Once Upon A Time in China III (黄飞鸿三之狮王争霸)
Galaxy Films (HK) Company	Fright Night (心寒恐怖夜) (Korean movie)
Golden Screen Cinemas Sdn Bhd	Visits: Hungry Ghost Anthology (四人夜话)
Harvest Ocean	Seven Swords (七剑), The White Dragon (小白龙), The Lion Roars (我家有只河东狮), Running on Karma (大只佬), Fantasia (鬼马狂想曲), Three of A Kind (煎酿叁宝), House of Flying Daggers (十面埋伏), The Attractive One (身骄肉贵) and Himalaya Singh (喜马拉雅星)
Media Asia Distribution Ltd	Slim Till Dead (瘦身)
Media Banker (HK) Limited	Mystic Detective Files Parts I & II (灵异侦缉档案I & II)
Mega Star Video Distribution (HK) Limited	Andy Lau's Concert: Proud of You (你是我的骄傲)
Raintree Pictures	Turn Left Turn Right (向左走向右走), The Best Bet (突然发财), I Do I Do (爱都爱都), The Eye (见鬼), The Eye 2 (见鬼2), The Eye 10 (见鬼10) and The Maid (女佣)
Shaw Renters	Initial D (头文字D), The Myth (神话), Twins Effect (千机变), Infernal Affairs (无间道), Medallion (飞龙再生), Infernal Affairs III (无间道III终极无间), Magic Kitchen (魔幻厨房), Breaking News (大事件), Yesterday Once More (龙凤斗), Seoul Raiders (韩城攻略) and House of Fury (精武家庭)
Storm Pictures	Dark Water (鬼水幽灵) (Japanese movie)
Universe Films Distribution Co., Ltd	Heroic Duo (双雄)
J Team Productions Pte Ltd	One More Chance (三个好人)

Duplication and replication of video

We have been granted the right to duplicate and/or replicate the licensed films on video under the respective licence agreements with our licensors, and such licence agreements do not prescribe a maximum number of video which we can duplicate and/or replicate.

We carry out the duplication of TVB serial programmes on VHS in-house and outsource the replication of VCD and DVD for TVB first-run titles to third party replication service providers. The replication of TVB second-run titles, TVB classic sell-through titles, single title video programmes and other drama serials on VCD and/or DVD are mainly carried out in-house. The stamper and encoding for all forms of video are outsourced to unrelated third party replication service providers.

The duplication of TVB serial programmes on VHS involves the use of a VCR, where each episode of the drama serial is recorded directly on a VHS using the set of master tape provided by TVBI. Our recording equipment for the VHS allows us to duplicate up to 300 VHS at the same time. We intend to phase out duplication of TVB serial programmes on VHS by the end of FY2006 in line with the change in our customers' preference for TVB serial programmes on VCD and DVD.

The replication of VCD involves video source conversion using MPEG encoding technology, where video and audio signals are converted into MPEG1 format. The output medium is in CD-R. The CD-R master copy is then delivered to a mastering service company for the manufacturing of stamper, which will serve as the mould for replication. After which, the stamper is then mounted onto an automated replication machine from which replication of VCD will take place. The label with the title of the video programme is then printed on the VCD.

The replication of DVD involves different computer hardware and software modules. The master video and audio sources of a video programme are edited separately in digital format before the encoding process takes place. During the encoding process, the video source input is converted to MPEG2 format and the audio source is compressed to AC-3 or DTS audio coding format. After which, a process will be used to link up the encoded video and audio together with the menus and subtitles, hence creating a disc image onto a DLT. The DLT is then used as a mastering medium to make a stamper, which is then mounted onto an automated replication machine for the replication of DVD. The label with the title of the video programme is then printed on the DVD.

We supply our sub-licensees the video programmes recorded in the form of VHS, VCD or DVD. VHS are used only in TVB serial programmes. Most of the other video programmes are replicated in VCD, with the more popular ones being replicated on DVD. We provide free recording services for our sub-licensees who supply us with their own VHS for duplication. For the supply of video programmes in VCD or DVD, we incorporate the replicating costs in the price of the VCD or DVD paid by our sub-licensees. These replicating charges paid by our sub-licensees are recognised as revenue in our books.

Production capacity and utilisation rate

We had in March 2005 leased another floor space located at 6 Harper Road #01-02, Singapore to house the VCD and DVD replication services of SEM. Please refer to "Properties and Fixed Assets" on page 87 of this Prospectus for more details on our replication facility. We commenced our replication of VCD and DVD operations only in May 2005 and as at the Latest Practicable Date, we have two VCD and DVD replicating machines which are leased from Omnidisc Manufacturing Pte Ltd, pursuant to the agreements entered in April 2005, with an option to purchase the same. We calculate and measure our production capacity in terms of the number of VCD replicated. However, as the operations are new, we do not have information on the maximum production capacity and utilisation rate for the last three financial years. Our current estimated maximum annual production capacity is approximately:

	Maximum capacity⁽¹⁾
Machine 1 ⁽²⁾	5,054,400 per annum
Machine 2 ⁽³⁾	4,043,520 per annum

Notes:

- (1) Maximum capacity refers to the number of VCD replicated and is calculated based on the formula being: Number of VCD replicated per hour x Number of working hours per year.

- (2) Machine 1 can replicate VCD only and was manufactured in 2004. Generally, Machine 2 is utilised when Machine 1 has reached maximum capacity.
- (3) Machine 2 can replicate both VCD and DVD and was manufactured in 2001. The maximum capacity is determined in terms of VCD volume only. The machine takes approximately twice the amount of time to replicate a DVD compared to a VCD.

Content production

We have recently started to co-invest in content production and provide our services as an independent producer of films. Our Executive Officer, Titus Ho Wing Lam, who is the general manager of SEP, joined our Group in May 2005 to head our content production business and brought with him many years of experience in the production of films. Please refer to further details of his previous work experience on page 100 of this Prospectus. Securing the distribution rights of good films is instrumental in increasing our revenue. Through our involvement in content production, we will be able to move upstream in our vertical supply chain where we hope to secure distribution rights in the content at the earliest possible stage. For those films where we are involved in the content production, we plan to secure all types of distribution rights (including cinematic rights and television broadcasting rights) in addition to the video distribution rights for the film.

Co-investment in content production

Our maiden investment is in our collaboration with Raintree Pictures in the film "I Not Stupid Too", a sequel to the popular local Chinese movie in Singapore "I Not Stupid", wherein we hold a minority stake. The film was released in the cinema on 20 January 2006. We intend to explore opportunities to co-invest in the production of other single movies that are produced by independent production houses in the Greater China and other parts of Asia, such as Thailand, Korea and Japan and as part of our business strategy, we may enter into co-investment agreements or joint ventures for this purpose.

Provision of services as a film producer

Our general manager for SEP, Titus Ho Wing Lam, who has vast experience in film production, will source for concepts for films to be produced or assess the scripts received from freelance scriptwriters, *inter alia*, directors and independent production companies. Before we undertake a film project, we will assess the film concept, quality of the scripts, the marketability of the film with respect to the current market trends, estimated production costs and the estimated time of the film release. For film concepts that have been assessed to be commercially viable, we will then formulate production budget and source for potential investors to secure funds for the proposed film production. The proposed film production may be completely funded by the film investors or we may also invest in the proposed film production by holding a minority stake. After securing funding for the proposed film production, we will select the film director, monitor the production costs and production schedule and co-ordinate with all relevant parties necessary for the film production. We will usually outsource the principal photography and production work to a film production company and all other aspects of work that are necessary to carry out the production of the film. As a film producer, we charge a fee usually amounting to a certain percentage of the production budget for the provision of our service.

Acquisition and assignment of distribution rights

The acquisition of distribution rights for serial programmes and single title video programmes forms an integral part of our video distribution business.

Acquisition of distribution rights

We acquire video distribution rights mainly for Chinese language drama serials and single movies mainly produced in Hong Kong, Singapore, Taiwan and the PRC, for the Singapore territory. We obtain these rights mainly from major licensors such as TVBI, Shaw Renters, MediaCorp Studios, Raintree Pictures, Fortune Star, Regentact and Harvest Ocean, which are either the content producer or distributor. Generally, we acquire such distribution rights directly from the copyright owners. Where distribution rights are acquired from distributors, we will check that such persons are the authorised distributors of the contents either through our industry contacts or through the content producer verifying such information in writing. We secure the video distribution rights of programmes from our licensors through negotiation. Our rights to distribute video programmes are regulated under the

respective licence agreements entered between our licensors and us. Under the licence agreements, we are usually granted an exclusive licence to distribute the specified video programmes for home entertainment through the sale and rental of their video in the specified territory for a fixed term of usually two to five years, and is renewable by mutual agreement upon its expiry. Licence fees are payable by us to the licensors according to the terms of the agreement. For popular video programmes, we would negotiate with the licensor regarding the terms of its renewal prior to the expiry of the licence agreement. If we are unable to obtain a renewal of the distribution rights due to factors such as pricing, the master copy of the video programme, together with any copies thereof, will either have to be returned to the licensor or be destroyed.

From time to time, we have also acquired the video distribution rights for certain non-TVB drama serials and single movies for the Malaysia territory. Since 2004, we have started acquiring television broadcasting rights (Pay-TV and free-TV) for certain Raintree Pictures' single movies and MediaCorp Studios drama serials for the territories of Singapore, Malaysia and/or Brunei.

We believe that we have over the past years developed close business rapport with major licensors of Chinese language drama serials and single movies and we intend to leverage on such relationship to secure distribution rights for more programmes and for territories within and outside Singapore, such as Malaysia, Indonesia, Thailand, the Greater China, Europe and USA. Further, we also intend to secure other distribution rights in addition to the video distribution rights, including cinematic rights and television broadcasting rights, for such programmes. To facilitate our sourcing and acquisition of distribution rights, we regularly participate as a trade visitor in major film festivals including the Cannes Film festival, the Hong Kong Filmart festival and the American Film Markets to keep ourselves abreast of the latest market trends and new film releases.

Assignment of distribution rights

Video distribution rights

In Singapore, we distribute TVB serial programmes (mainly drama serials) through the retail outlets of our sub-licensees which provide the video of such programmes for home rental. We distribute the TVB classic sell-through titles through the sale of such video to our resellers which in turn resell them to home viewers. All other video programmes are distributed by us in Singapore through the sale of such video to video retail outlets operated by unrelated third parties.

Outside Singapore, we assign our video distribution rights for the Malaysia territory to our sub-distributors, such as Speedy Video and Harvest Ocean, which will in turn sub-license these rights.

Other distribution rights

In future, we intend to procure other distribution rights (in addition to video distribution rights) for suitable single movies and non-TVB drama serials for different territories (including Singapore) and such distribution rights include cinematic rights (as applicable), television broadcasting rights (both Pay-TV and free-TV) and rights to distribute in the form of Video-On-Demand and on mobile telecommunication equipment, including handphones, through the use of 3G technology. For distribution rights in single movies and non-TVB drama serials other than video distribution rights, such as cinematic rights and television broadcasting rights, we will generally assign such rights to our sub-distributors, cinema operators or television stations, as applicable, for their distribution, or release of these programmes through the cinema or television (both Pay-TV and free-TV), as applicable, in the relevant territory.

Our Distribution Channel

As at 31 October 2005, our distribution channel for TVB serial programmes in Singapore comprises a network of 168 retail outlets mainly located in HDB estates and suburban shopping centres that are operated by third parties, which include a chain of 34 retail outlets operated by Poh Kim and another chain of 28 retail outlets operated by the TS Group. The video products for other video programmes are distributed through the retail outlets of the TS Group, Poh Kim and other unrelated third parties. Currently, we do not own or operate any retail outlets nor rent or sell video programmes directly to consumers.

For TVB serial programmes

We categorise TVB serial programmes into three categories, namely TVB first-run titles, TVB second-run titles and TVB classic sell-through titles. Please refer to “Serial Programmes” on pages 67 and 68 of this Prospectus for more details. We grant non-exclusive sub-licences to different sub-licensees which operate a total of approximately 106 retail outlets as at 31 October 2005 to rent out TVB first-run titles on VHS, VCD and DVD. These retail outlets are mainly located in HDB estates, near our target customers for first-run titles. Video containing TVB first-run titles are only available for rental to consumers. These sub-licences are usually granted to our sub-licensees for a period corresponding to the licence agreement for video rental with TVBI and are based on a minimum guaranteed sum plus an additional fee. The additional fee is a specified percentage of the actual rental revenue received by the sub-licensee exceeding a specified sum. These sub-licences are renewable upon their expiry at mutually acceptable terms to be agreed between the parties.

We grant a non-exclusive sub-licence to Poh Kim to distribute TVB second-run titles on VCD which are only available for rental to consumers. Poh Kim operates a chain of retail outlets that are mainly located in the suburban shopping centres as our target customers for TVB second-run titles are working adults and the younger age group. The non-exclusive sub-licence is granted for a period of one year for an agreed fee and the sub-licensee has committed to a minimum guaranteed fee. The sub-licence is renewable upon the expiry of the term of one year at mutually acceptable terms to be agreed between the parties.

We have entered into a reseller agreement with TS Digital Laser to distribute TVB classic sell-through titles to consumers through the sale of VCD. The reseller agreement is valid for one year and is subject to renewal upon mutually acceptable terms being agreed between the parties. Pursuant to the terms of the reseller agreement, TS Digital Laser is required to purchase an agreed volume of TVB classic sell-through titles at an agreed price during the term of the reseller agreement.

For other video programmes

Other video programmes distributed by us, including single movies and drama serials produced by Singapore, PRC, Taiwan and Korea producers, are distributed to consumers mainly through the retail outlets of the TS Group, Poh Kim, Popular Holdings Limited, Sembawang Music Holdings Ltd and HMV Singapore Pte Ltd. We have not entered into any reseller agreement with TS Digital Laser, Poh Kim, Popular Holdings Limited, Sembawang Music Holdings Ltd, HMV Singapore Pte Ltd and Carrefour Singapore Pte Ltd for the distribution of such other video programmes. Our sales of such other video programmes are made based on purchase orders they place with us from time to time.

Management of video distribution network

All our sub-licensees, who are handling the rental of TVB first-run serial programmes on video, are required to maintain a computer system and point-of-sale application software as specified by us and to set up online links and connectivity between their computer system and our computer system. This serves to facilitate our audit of our sub-licensees' records relating to their conduct of the business in accordance with the terms of our sub-licence agreement. Our sub-licensees are required to keep and maintain separate books of account on their transactions to separately reflect the revenue derived from the rental of video for TVB first-run serial programmes. We carry out periodic audits of the books and records of our sub-licensees' business. Our sub-licensees are prohibited from assigning or sub-licensing the rights without our prior approval.

Unauthorised distribution of pirated products affects our business operations as well as the operations of our sub-licensees. To protect our interests, we actively seek out instances of piracy and copyright infringement and institute legal actions against the offender. We have an enforcement officer to monitor and take action against copyright piracy and infringement, based on feedback we receive from our sub-licensees' from time to time. In addition, any person who manufactures VCD or DVD without a valid licence under the Manufacture of Optical Discs Act 2004 (No. 25 of 2004) will be liable, on conviction, to a fine and/or to imprisonment.

Parallel imports of video programmes from licensed overseas sources are permitted in Singapore and some of such video may contain the same films distributed by us and are invariably offered to the consumers at a lower selling price. As such parallel imports compete with the products offered by us and may erode our profit margins, we constantly provide feedback to our licensors regarding the impact of parallel imports affecting our video distribution business in Singapore. We work closely with our licensors as they monitor the extent of parallel imports of those video programmes for which they grant licences for distribution in Singapore in order to implement suitable measures to protect our common interests.

MARKETING AND PROMOTION

As at 31 October 2005, we maintain a video retail distribution network of 168 retail outlets, which are operated by third parties, for the distribution of video programmes for home entertainment in Singapore. We have a team of 12 marketing personnel to manage our video distribution network to ensure timely delivery of products. Through the exchange of information and feedback from our sub-licensees and resellers, we are able to have access to the latest market trends and demands, consumers' preferences, feedback on recent releases and gather information on the popularity of particular drama serials and performers. Such market information enables us to assess the marketability of new programmes and assist us in our sourcing and distribution functions.

As the rental and sale of video for TVB serial programmes (mainly drama serials) contributed to a substantial portion of our revenue in the last two financial years, we have been focusing our advertising and promotion efforts mainly on TVB serial programmes. We advertise new TVB serial programmes in the local media in Singapore, such as Chinese newspapers and through the television, and promote these programmes by organising road shows on a regular basis. We also advertise the availability and information relating to TVB serial programmes on our corporate website. We maintain and update the information on our website regularly to allow our consumers to view the latest titles in our video library, and to keep them informed of our latest developments and achievements. As part of our marketing efforts, we started a TVB artistes' fan club in the fourth quarter of 2004. As at the Latest Practicable Date, we have approximately 500 subscribers to our TVB artistes' fan club. We send our subscribers regular newsletters and electronic mails to keep them informed of our promotional events and the latest TVB serial programmes. From time to time, we invite popular TVB artistes to take part in promotional activities in Singapore, such as autograph signing session in shopping centres, where our subscribers are also invited to such events. In addition, we also use product packaging as a means of marketing whereby we create a unique packaging to add appeal to our target customers.

CREDIT MANAGEMENT

Currently, our customers are mainly sub-licensees and resellers, who are independent video retailers and are distributing video for home rental and sale containing programmes distributed by us.

We typically give our existing customers credit terms of between 7 and 180 days. The credit terms granted to these customers are determined based on the creditworthiness of the customer and the relationship that we have with the customer. For new customers, we will assess the creditworthiness of the customer before granting credit terms of 7 to 14 days on a case-by-case basis. We assess the creditworthiness of existing and new customers by reviewing their financial position, profitability and cash flow where such financial information is available or through other available market information and payment history. We invoice our customers upon delivery.

We have adopted a general provision policy on bad and doubtful debts. At the end of each quarter, we review our trade debts for collectability by first segregating all debts into two categories, namely debts arising from assignment of film rights and other debts.

For debts arising from assignment of film rights, specific provision will be made for debts deemed not collectible. Amounts outstanding for 30 days or more from the date of demand letter are deemed not collectible. For other debts, debts are deemed not collectible if they are outstanding for ten months or more and demand letters have been issued. Specific provision will be made for such debts. In addition, a general provision will be made at 5% on the total of the other debts which are outstanding for ten months or more, excluding debts specifically provided.

We do not have any bad debts written off for the past three financial years. Our debtors' turnover for the past three financial years are:

	FY2003	FY2004	FY2005
Debtors' turnover (days)	55	27	69

As at 30 April 2005, our trade receivables was \$4.3 million, of which 50.0% was less than 30 days, 24.0% was between 30 days and 90 days and 26.0% was more than 90 days. In April 2005, we concluded several deals relating to the sale of video distribution rights and television broadcasting rights for the Malaysia territory. We also enjoyed additional revenue from a single title video programme "I Do I Do" and five second-run TVB titles. These factors contributed to an increase in revenue of approximately \$740,000 and led to an increase in trade receivables for the same month.

Debtors' turnover days decreased from 55 days in FY2003 to 27 days in FY2004 due mainly to the commencement of the distribution of TVB serial programmes in FY2004 and the shorter credit terms given to our sub-licensees of TVB serial programmes. Debtors' turnover days increased from 27 days in FY2004 to 69 days in FY2005 due mainly to longer credit terms extended to certain major customers whose credit worthiness had been satisfactory.

As at 31 December 2005, out of the trade receivables of approximately \$4.3 million as at 30 April 2005, we have received approximately \$3.5 million.

The analysis of the debtors' turnover days is discussed in further detail under the section "Liquidity and Capital Resources" set out on page 53 of this Prospectus.

INVENTORY MANAGEMENT

We supply our sub-licensees the video programmes recorded in VHS, VCD and DVD. For VHS, our sub-licensees supply us with their own VHS for duplication of the video programme. Therefore, we do not carry any inventory of VHS. For VCD and DVD, we supply our sub-licensees with the VCD or DVD recorded with the video programmes. Our finished goods inventory comprise mainly VCD and DVD recorded with the video programmes distributed by us, whilst our raw materials comprise mainly polycarbonate for our VCD and DVD replication machines.

We have put in place the following inventory management procedures to ensure that our inventories of finished goods and raw materials are adequately accounted for. For finished goods, we normally issue replication orders back-to-back against orders we received from our customers. For new releases, we issue replication order based on anticipated demand according to our perception of the market trends. We have a computerised system in place to track all orders, the flow of goods and final inventory. We carry out a stock-take annually.

Our sales operations team monitors the finished goods inventory so as to ensure that we have sufficient supply to meet demand and at the same time we do not overstock.

We do not have a provision policy for stock obsolescence.

In the case of raw materials for SEM, we maintain two months' supply of all raw materials. Our lead-time for raw materials is seven days. Based on our output, we are able to ascertain our usage of the raw materials after taking into consideration a reasonable amount of wastage/spoilage during the replication process.

We do not have any inventory written off for the past three financial years. Our inventory turnover for the past three financial years are:

	FY2003	FY2004	FY2005
Inventory turnover (days)	n.m.	2	12

Our inventory balance as at 30 April 2003 was insignificant as our business became active again in August 2002 and our transaction volume was low during that financial year. The increase in inventory turnover days in FY2005 was due to more VCD and DVD carried, which is in line with an increase in the number of titles secured in FY2005.

SEASONALITY

We generally achieve higher revenue during school holidays and the festive season in December. This increase in demand in December would usually be sustained until the Chinese New Year festive period.

EXCHANGE AND RETURN POLICY

At present, we generally do not have an exchange policy. However, our customers may get a replacement of a defective video and we would carry out an investigation on each replacement of defective goods to assess if any further action is necessary from the contracted manufacturer of the video, or our replication lines for VCD or DVD.

QUALITY CONTROL

We place strong emphasis on the picture and sound quality of our video programmes as it would directly impact consumers' viewing satisfaction. At present, our quality control team comprises three quality control staff who carry out daily inspection on all our replicated VHS to ensure that they meet our Group's specifications and standards. Our contract manufacturer, to whom we outsource our replication requirements, conducts the quality control for our replicated VCD and DVD. In addition, our quality control team also carries out quality control checks on a random basis before they are dispatched to our customers.

STAFF TRAINING

We recognise that our employees are invaluable resources in our business. As such, we are committed to providing them with the requisite training to ensure that they have the necessary skills and knowledge to perform their tasks effectively and efficiently.

We place emphasis on recruiting employees with the requisite qualifications, experience and technical skills. We organise orientation programmes for new employees to ensure that they are familiar with our policies and practices, business culture and service guidelines. We send our employees for courses conducted externally from time to time. Such courses are principally training in managing IT systems and intellectual property. Apart from the above, we also train our staff through continuous on-the-job training. Our training expenditure for the past three financial years, as a percentage of total operating expenses, had not been significant.

RESEARCH AND DEVELOPMENT

We currently do not engage in any research and development as the nature of our business does not require us to engage in such activities at this juncture. However, in order to better position ourselves to adapt to the ever-changing environment, we will monitor developments in the media visual products industries and home entertainment technologies, which may affect the sale of our products.

INTELLECTUAL PROPERTY

We have registered the following trademarks in the following territories:

Trademark	Class	Specification of goods/services	Territory	Status
	9	Pre-recorded video tapes, video compact discs (VCD), digital versatile discs (DVD); pre-recorded cinematograph films on magnetic or digital media; pre-recorded television serials on magnetic or digital media; tapes, cassettes, discs and recordings for producing sound and visual images; electrical and electronic apparatus and instruments all for recording, receiving, transmitting or producing digitally processed video images and/or sound; video and computer games.	Singapore	Registered
	41	Entertainment services; duplicating movies, films, television serials and television programmes on video tapes, video compact discs (VCD), digital versatile discs (DVD); distribution services (other than transportation) for movies, films, documentaries, commercials and other such content; organisation, arrangement, management, supervision and promotion of artistic events, musical concerts and performances; rental services for pre-recorded video tapes, video compact discs (VCD), digital versatile discs (DVD), pre-recorded cinematograph films on magnetic or digital media, pre-recorded television serials on magnetic or digital media; information services relating to movies, documentaries, television and radio programmes/programming, previews, trailers, sports, concerts, competitions, celebrities and/or entertainment news; tickets information.	Singapore	Registered
	42	Licensing of intellectual property rights relating to movies, cinematograph films, television serials, musical shows and programmes, entertainment and sports programmes.	Singapore	Registered

The above trademarks were registered on 16 September 2003 and the registration is valid for a period of ten years and may be renewed at the expiration thereof and upon expiration of each succeeding period of ten years, subject to the payment of renewal fees. Our Directors do not foresee any risk in any of our registered trademarks that are material to our operations not being renewed.

INSURANCE

We maintain the following insurance policies:

Insurance	Interest insured
Fire	Furniture and fittings, equipment and stock in trade
Loss of money	Money whilst in the course of transit anywhere in Singapore, or which is kept locked in the office premises during and after business hours
Public liability	Legal liability arising out of accidental damage to the property of the public and/or bodily injury to the public anywhere in Singapore in connection with the leased property
Workmen Compensation	Packing staff
Machinery All Risks	Replicating machines

Our Directors believe that we have adequate insurance coverage for the purpose of our business operations.

MAJOR SUPPLIERS

The suppliers accounting for 5% or more of our total purchases are provided below:

	Main products/services	Percentage of total purchases (%)		
		FY2003	FY2004	FY2005
TVBI	TVB serial programmes	—	48	47
Summit CD Manufacture Pte Ltd	VCD and DVD replication services	14	11	14
Infodisc Multimedia Manufacturing Pte Ltd	VCD and DVD replication services	5	7	9
Speedy Video	Other drama serials	—	3	6
Harvest Ocean	Single movies and drama serials	16	2	2
Shaw Renters	Single movies	11	2	1

TVBI is the distribution arm of TVB, which produces and/or co-produces a wide variety of Chinese language programmes. Some of these programmes are licensed to overseas distributors for distribution in their respective territories. We secured the exclusive video distribution rights from TVBI for TVB's Chinese language serial programmes in Singapore from May 2003.

Summit CD Manufacture Pte Ltd and Infodisc Multimedia Manufacturing Pte Ltd provide VCD and DVD replication services for our video distribution business. Summit CD Manufacture Pte Ltd and Infodisc Multimedia Manufacturing Pte Ltd are replication service providers approved by TVBI. The increase in purchases from Infodisc Multimedia Manufacturing Pte Ltd in FY2005 corresponds with the increase in business volume in FY2005.

Speedy Video is an operator of a wide network of approximately 80 retail outlets in Malaysia. We secured our first exclusive sub-licence from Speedy Video to distribute a Taiwanese drama serial in Singapore in August 2003. In FY2005, we secured additional sub-licensing rights from Speedy Video to distribute non-TVB drama serials. Speedy Video is also our customer as we distribute selected video programmes to Malaysia by assigning distribution rights for the Malaysia territory mainly to Speedy Video. Sales to Speedy Video increased in FY2005 due to the assignment of video distribution rights and television broadcasting rights for more programmes to Speedy Video.

Our gross purchases from Harvest Ocean and Shaw Renters did not change significantly in FY2004 compared to FY2003. The proportion of purchases from Harvest Ocean and Shaw Renters decreased in FY2004 due to the significant increase in total purchases mainly attributed to the acquisition of the distribution rights from TVBI in FY2004.

In general, the proportion of our purchases from each video and film distributor may vary each year due largely to the number of licensing rights secured by us and the popularity of such programmes.

Save as disclosed under "Interested Person Transactions" on page 94 of this Prospectus relating to Infodisc Multimedia Manufacturing Pte Ltd, none of our Directors or Substantial Shareholders has any interest, direct or indirect, in any of the abovenamed major suppliers.

MAJOR CUSTOMERS

Currently, our customers are mainly sub-licensees and resellers, who are independent video retailers and are distributing video for home rental and sale containing programmes distributed by us.

The customers accounting for 5% or more of our total revenue are provided below:

Customer	Main products	Percentage of total revenue (%)		
		FY2003	FY2004	FY2005
TS Group	TVB serial programmes and single movies	83	54	26
Poh Kim	TVB serial programmes and single movies	10	11	24
Speedy Video	Other drama serials and single movies	1	2	12

TS Digital Laser is currently our distributor of TVB classic sell-through titles and single movies. When we secured the exclusive licensing rights from TVBI to distribute TVB's Chinese language serial programmes in Singapore in May 2003, we granted the TS Group such rights to distribute both TVB second-run titles and TVB classic sell-through titles to certain companies within the TS Group. Hence, sales to the TS Group increased in FY2004. However, the proportion of sales to the TS Group decreased in FY2004 as there was a significant increase in the total revenue in FY2004 due to increase in our business activities and revenue. In May 2004, we granted the rights to distribute TVB second-run titles and classic sell-through titles to Poh Kim and TS Digital Laser respectively. Hence, sales to the TS Group decreased in FY2005. The decrease in sales to the TS Group in FY2005 was also due to a decrease in sales of TVB classic sell-through titles arising from the shortfall in the supply on the part of TVBI as disclosed in "Risk Factors" on page 32 of this Prospectus.

Sales to Poh Kim, comprising TVB classic sell-through titles and single movies, increased in FY2004 due to additional new titles supplied by us to them during FY2004 and operations in FY2004 was for a 12-month period. The period when we had active business activities in FY2003 effectively covered only nine months from August 2002 to April 2003. Sales to Poh Kim increased in FY2005 due to its distribution of TVB second-run titles.

Please refer to "Major Suppliers" on page 78 of this Prospectus for details on Speedy Video.

None of our Directors or Substantial Shareholders has any interest, direct or indirect, in any of the abovenamed major customers.

COMPETITION

We are principally a distributor of Chinese language serial programmes (mainly drama serials) and single title video programmes in Singapore. We distribute Chinese language serial programmes produced by TVB, MediaCorp Studios, CCTV and other Taiwanese and Korean producers. We also secure rights from various content producers and film distributors to distribute single title video programmes. We distribute such Chinese language serial programmes and single title video programmes based on exclusive licences obtained for a period of usually between two and five years.

Our Directors believe that there is no strong competitor for the distribution of TVB serial programmes in Singapore as at the Latest Practicable Date, as we have established close business relationship with TVBI which enabled us to secure an exclusive licence to distribute TVB serial programmes since May 2003 and the current licence term is valid up to 30 April 2007. In addition, there are high barriers to entry for the distribution of TVB serial programmes in Singapore as the TVBI Licence Agreements require a significant amount of minimum guaranteed licence fee, as well as having access to and good management of a wide video distribution network. Our Directors believe that the past track record of any potential entrant who intends to bid for the licence to distribute TVB drama serials in Singapore is also crucial to TVBI.

For the distribution of other drama serials and single title video programmes, we expect to face competition from existing video distributors as well as new market entrants in the future. We believe that the principal competitive factors in our industry include the track record in video distribution business, industry experience of the management, the price offered for acquiring the distribution rights and the

video distribution network. To the best of our Directors' knowledge and belief, we consider Poh Kim and the TS Group as our competitors in the provision of video distribution service for other drama serials and single title video programmes due to certain similarities in the nature of our business. For instance, Poh Kim and the TS Group each operate a network of retail outlets and also acquire video distribution rights directly from licensors of single movies. Poh Kim and TS Digital Laser are our sub-licensee and reseller respectively for the distribution of TVB serial programmes and selected single title video programmes.

In view of the size and diversity of our industry, we are not aware of independent statistics regarding the market share captured by individual companies in our industry. There is also no official published statistics that can be used to accurately measure our market share.

COMPETITIVE STRENGTHS

Our Directors consider the following to be our competitive strengths:

We distribute our video products through an extensive video distribution network in Singapore

We distribute TVB serial programmes (mainly TVB drama serials) on video through our sub-licensees and resellers who operate approximately 168 retail outlets in Singapore as at 31 October 2005. These retail outlets are strategically located in HDB estates and suburban shopping centres which are easily accessible and convenient for our target customers. We distribute non-TVB drama serials and single title video programmes through the various retail outlets of the TS Group, Poh Kim, Popular Holdings Limited, Sembawang Music Holdings Ltd, HMV Singapore Pte Ltd and Carrefour Singapore Pte Ltd located in different parts of Singapore. Through such video distribution channels, our video products are able to reach different segments of the consumer market in various locations in Singapore.

We build on existing relationships with major licensors of drama serials and films to secure new distribution rights

In FY2003, we were distributing video rights of single movies procured mainly from Shaw Renters, Raintree Pictures and Harvest Ocean. Since the beginning of FY2004, we secured the exclusive licence from TVBI to distribute TVB serial programmes produced in Hong Kong on video. Through TVBI, we continued to secure the rights to distribute CCTV drama serials produced in PRC. We also built on our existing relationship with Raintree Pictures (a Singapore production house that is related to MediaCorp Studios) to distribute new films including "I Do I Do (爱都爱都)" and drama serials produced by MediaCorp Studios. Due to our track record, we have been able to secure video distribution rights for new and popular films from major licensors, including "House of Flying Daggers (十面埋伏)" from Harvest Ocean, and "Infernal Affairs III (无间道：终极无间)" and "Seoul Raiders (韩城攻略)" from Shaw Renters. Our good business relationships with major licensors are nurtured over the years through rapport building and working on transactions. Our network and good business relationship with major licensors, such as TVBI, Shaw Renters, MediaCorp Studios, Raintree Pictures, Fortune Star, Regentact and Harvest Ocean, have enabled us to secure distribution rights for new and popular movies distributed by them, as well as serving as a track record for us in garnering potential new major licensors.

We have a strong management team

Our Group is led by our CEO and Executive Director, John Ho, who has been in the video distribution business for over 20 years. John Ho possesses in-depth knowledge of the video acquisition and distribution business and has established close business relationship with major Chinese language film licensors, including TVBI, Shaw Renters, MediaCorp Studios, Raintree Pictures, Fortune Star, Regentact and Harvest Ocean. John Ho spearheads the growth and development of our business and sets the corporate strategy for our Group. He is supported by a dedicated and dynamic management team, most of whom have more than ten years of experience in their respective fields. We believe that the commitment, experience and qualifications of our management team and employees have been a key factor contributing to the success of our Group and will continue to be instrumental in our future growth. Please refer to pages 97 to 100 of this Prospectus for more details on the qualifications and experience of our management team.

We have a strong order book

As at the Latest Practicable Date, we have secured committed minimum guaranteed sub-licence fees and purchases of TVB serial programmes on video amounting to approximately \$8.2 million from our sub-licensees and resellers respectively, which are payable or to be fulfilled on a periodic basis over the remaining period of the term under the respective sub-licence or reseller agreements, where approximately 37% of the said amount will be recognised as revenue during the remaining period of FY2006, barring unforeseen circumstances. Due to the nature of the TVB serial programme video distribution business, we will secure sub-licensees and resellers under our respective sub-licence and reseller agreements as soon as we secure the TVBI Licence Agreements, and these minimum guaranteed fees and minimum purchase requirements will serve as the revenue base for each of our financial years for so long as we maintain valid TVBI Licence Agreements.

GOVERNMENT REGULATIONS

We have obtained the necessary business licences for our day-to-day operations. Save as disclosed under “Risk Factors” on pages 32 to 37 of this Prospectus and below, we are not subject to any government regulations in the countries where we operate, other than those generally applicable to companies and businesses in such countries, which will have a material effect on our business operations.

Licensing requirements for video distribution operations in Singapore

The media industry in Singapore is generally regulated by the Media Development Authority of Singapore (“MDA”). The MDA is organised under the Media Development Authority of Singapore Act (Chapter 172) of Singapore. One of the roles of the MDA is to exercise licensing and regulatory functions in respect of media services in Singapore. The MDA sets the guidelines for content management and practices for the media industry in Singapore.

The Films Act (Chapter 107) of Singapore (“Films Act”) sets out certain licensing requirements for the import, making, distribution and exhibition of films. Under Section 6 of the Films Act, no person shall carry on any business for the import, making, distributing or exhibiting films unless he is in possession of a valid licence (“Video Licence”). Section 7 of the Films Act prescribes that a licensing officer may grant a Video Licence with or without conditions or refuse to grant a Video Licence without assigning any reason. A licensing officer may at any time vary or revoke any of the existing conditions of a Video Licence or impose new conditions. The Films Act also provides for payment of a prescribed licence fee and the Video Licence shall be in force for such period as determined by the licensing officer. Scorpio East, SEM and SEP each hold a Video Licence under the Films Act, the details of which are as follows:

Type of Licence	Description	Authority	Validity Period of Current Licence
Video Licence (Ho Ah Huat representing Scorpio East)	Licence to import, make, distribute video up to M18 rating	Board of Film Censors	From 6 July 2004 to 5 July 2007
Video Licence (Ho Ah Huat representing SEM)	Licence to import, make, distribute video up to M18 rating	Board of Film Censors	From 19 August 2004 to 18 August 2007
Video Licence (Ho Ah Huat representing SEP)	Licence to import, make, distribute video up to M18 rating	Board of Film Censors	From 29 September 2005 to 28 September 2008

Censorship requirements for video distribution operations in Singapore

The Board of Film Censors, which is established under the Films Act and is part of the MDA, classifies films and videos submitted to it according to the content contained therein, under guidelines specified under the Films Act.

From 1 July 2004, with the implementation of video classification, all videos distributed in Singapore are classified up to M18 and certified by the MDA, except for those which fall within the exempted categories. Depending on the content, videos are classified into G (General), PG (Parental Guidance), NC16 (No Children under 16) and M18 (Mature 18 — for persons aged 18 and above). Videos within the exempted categories include educational videos, documentaries and programmes for children.

All videos, with the exception of those which fall within the exempted categories, must bear a certificate issued by the MDA Licensing Services (Films and Publications) department before distribution while videos which fall within the exempted categories will have an exemption number granted for exempted materials.

Licensing requirements for video replication in Singapore

In Singapore, all manufacturers of VCD and DVD are required to apply for a Manufacture of Optical Disc Licence (“Manufacturing Licence”). These licensing requirements were implemented to manage and improve the copyright piracy situation in Singapore. Section 4 of the Manufacture of Optical Discs Act 2004 (No. 25 of 2004) (“MODA”) prescribes that no person shall engage in the manufacture for sale

or other commercial purpose of any optical disc (which includes VCD and DVD) in any place except under the authority, and in accordance with the terms and conditions, of a Manufacturing Licence. The Registrar of Optical Discs will assess the applications and one of the requirements for the grant of the Manufacturing Licence is that the operations do not infringe on intellectual property rights. For the conduct of our replication of VCD and DVD operations, SEM holds a Manufacturing Licence under the MODA, the details of which are as follows:

Type of Licence	Description	Authority	Validity Period of Current Licence
Manufacturing Licence granted to SEM	Licence to manufacture optical discs	Registrar of Optical Discs, Singapore	5 years from 26 October 2004

In addition, premises used as factories in Singapore are required to be registered under the Factories Act (Chapter 104) of Singapore. The Occupational Safety Department of the Ministry of Manpower is responsible for the registration of factories. Applications for registration are made to the Chief Inspector of Factories who will issue a permit to the occupier on being satisfied that the premises are suitable for use as a factory. The permit is valid for a period of one year and may be renewed on payment of the prescribed fees. If the premises have become unfit for occupation as a factory, the Chief Inspector of Factories may issue a notice to the occupier to comply with such requirements as may be specified in the notice. If the occupier fails to comply with such requirements in the notice, the registration of the premises may be revoked. Our premises at 6 Harper Road #01-02 Singapore, which houses the replication of VCD and DVD facilities of SEM, is registered under the Factories Act, and the expiry date for the current permit is 30 June 2006.

As at the Latest Practicable Date, none of the aforesaid licences have been suspended or revoked. Our Directors are not aware of any facts or circumstances which could cause the suspension or revocation or affect the renewal, of any such licences.

OUR LICENCE AGREEMENTS

Our TVBI Licence Agreements

Our Group secured exclusive licensing rights from TVBI to distribute TVB's Chinese language serial programmes for video entertainment in Singapore for home rental and on a sell-through basis. The principal terms of our TVBI Licence Agreements are as follows:

- (1) Scorpio East was granted an exclusive licence by TVBI to distribute certain Chinese language serial programmes produced and/or co-produced by TVB on video for home rental and for sale in Singapore for a period of one year from 1 May 2003. These agreements were renewed for a second year from May 2004 to April 2005 and were subsequently renewed for another two years from May 2005 to April 2007.
- (2) Scorpio East has to pay a minimum guaranteed fee under the TVBI Licence Agreements as follows:
 - (a) For video home rental, a minimum guaranteed fee is payable regardless of the rental revenue received by Scorpio East. In addition, TVBI is entitled to share more than half of the gross revenue exceeding the prescribed threshold of the rental revenue generated from the licence for the video home rental. To carry out the video home rental business, Scorpio East is also required to pay a fixed amount for the supply of master tapes and promotional materials (such as posters and video covers); and
 - (b) For TVB classic sell-through titles on VCD, TVBI is entitled to receive a fee based on the number of video sold to Scorpio East according to a prescribed order price, subject to a minimum guaranteed fee that is payable regardless of the amount of sales transacted.
- (3) Scorpio East is required to pay such licence fees to TVBI and TVBO (as the case may be) on or before its due dates and TVBI and TVBO (as the case may be) will have the right to charge interest on any overdue fees.
- (4) For video rental, Scorpio East is granted the right to appoint sub-licensees upon the terms and conditions of the format of the sub-licence as mutually agreed with TVBI, subject to TVBI's prior written consent. Scorpio East also requires the prior written consent of TVBI in order to duplicate or authorise a manufacturer to duplicate any licensed films on VCD and/or DVD in Singapore during the licence period.
- (5) Scorpio East shall indemnify TVBI against all costs, claims, undertakings and demands made against TVBI during the license period or thereafter, in respect of or arising out of the distribution of the relevant TVB serial programmes.
- (6) Scorpio East covenants and undertakes that it will not make any claim in respect of the licensed films or challenge the right title or interest of TVBI or any of its licensees in and to the licensed films in any manner whatsoever.
- (7) Scorpio East is granted the right to use the trademarks as specified in the agreements during the licence period with respect to its distribution of the relevant TVB serial programmes within Singapore.
- (8) The agreements may be terminated in a number of circumstances including:
 - (a) If the agreement is breached by either party and not rectified within 14 days of receiving written notice by the other party;
 - (b) Scorpio East or TVBI ceases to pay its creditors in the ordinary course of business, has a receiver or manager appointed over all or any of its assets, or enters into liquidation otherwise than for the purposes of solvent reconstruction or amalgamation; and
 - (c) If there is a change in the ownership or control of Scorpio East which is effected without TVBI's prior written consent.

- (9) For video rental, Scorpio East is not allowed to distribute other video programmes produced, licensed or distributed by any Hong Kong free-TV broadcaster other than TVB. For TVB classic sell-through titles on VCD, Scorpio East is not allowed to sell any audio-visual products in relation to any films in Chinese dialects produced, licensed and/or distributed by any Hong Kong free-TV broadcaster other than TVB.
- (10) For video rental, Scorpio East may procure advertisements to be incorporated into the video medium containing TVB serial programmes, provided that Scorpio East shares a portion of the advertising revenue received with TVBI.
- (11) Any and all rights not expressly granted in the relevant TVBI Licence Agreements remain with TVBI and all such rights may be freely exercised and exploited by TVBI or any third party authorised by TVBI during the respective term regardless of the extent to which such rights may compete with Scorpio East.

Our licence agreements with other content producers and film distributors

For other drama serials and single title video programmes, we have also entered into licence agreements with the respective content producer or distributor, which are our licensors, such as MediaCorp Studios, Raintree Pictures, Fortune Star, Regentact, Harvest Ocean and Buena Vista Home Entertainment, Inc. The terms of such licence agreements usually range from two to five years. The licence agreements provide for the licence fees payable and terms of revenue sharing (if any). Such licence agreements will generally be terminated if there is a breach of any of the terms contained therein. The distribution rights under such licence agreements are generally for the Singapore territory, while our distribution rights for the Malaysia territory are mainly for drama serials and single title video programmes produced by MediaCorp Studios and Raintree Pictures. As at the Latest Practicable Date, our licence to distribute granted under such licence agreements are all video distribution rights, except for selected titles produced by Raintree Pictures and MediaCorp Studios, where we have also been granted television broadcasting rights (both Pay-TV and free-TV) for Malaysia and Brunei.

Our sub-licence agreements

We grant non-exclusive sub-licences for the distribution of TVB serial programmes to our sub-licensees and resellers for rental or sale on video for private home viewing. The principal terms of our sub-licence agreements are as follows:

- (1) The sub-licensees or resellers have to pay a minimum guaranteed fee under the agreements as follows:
 - (a) For video home rental, the sub-licensee has to pay a minimum guaranteed fee. In addition, for video home rental containing TVB drama serials classified as TVB first-run titles, the sub-licensee has to pay an additional fee which is a specified percentage of the actual rental revenue received by the sub-licensee exceeding a specified sum;
 - (b) For sale of TVB classic sell-through titles, the reseller is required to purchase an agreed volume of TVB classic sell-through titles at an agreed price during the term of the agreement.
- (2) The sub-licensee shall not be authorised to grant any sub-licence of or assign any of its rights under this agreement.
- (3) The sub-licensee covenants and undertakes that it will not make any claim in respect of the licensed films or challenge the right title or interest of Scorpio East, TVBI and/or other copyright owner(s) in and to the licensed films in any way whatsoever.
- (4) The agreements may be terminated in a number of circumstances including:
 - (a) the expiry or earlier termination of Scorpio East's TVBI licence agreements;
 - (b) If the sub-licensee commits a material breach of the agreement or if the agreement is breached by the sub-licensee and not rectified within 7 or 10 days of receiving written notice from Scorpio East;

- (c) The sub-licensee ceases to pay its creditors in the ordinary course of business, has a receiver or manager appointed over all or any of its assets, or enters into liquidation otherwise than for the purposes of solvent reconstruction or amalgamation;
- (d) If there is a change in the ownership or control of the sub-licensee which is effected without Scorpio East's prior written consent; and
- (e) For video home rental, either party may terminate the agreement without assigning any reason by giving at least three months prior written notice to the other party.

PROPERTIES AND FIXED ASSETS

Our Group does not currently own any property.

We currently lease the following properties:

Location	Tenure	Approximate built-in area (sq ft)	Use of property	Lessor
6 Harper Road #02-01 Leong Huat Building Singapore 369674	1 May 2005 to 30 April 2007	2,340	Main Office	Leong Huat (Investment) Pte Ltd
6 Harper Road #02-02 & #02-04 Leong Huat Building Singapore 369674	1 June 2004 to 31 May 2006	4,516	Office (#02-02) Store (#02-04)	Leong Huat (Investment) Pte Ltd
6 Harper Road #02-03 Leong Huat Building Singapore 369674	1 May 2005 to 30 April 2007	1,947	Sales office	Leong Huat (Investment) Pte Ltd
6 Harper Road #02-06 Leong Huat Building Singapore 369674	16 May 2005 to 30 April 2007	1,982	Packing	Leong Huat (Investment) Pte Ltd
6 Harper Road #05-01 Leong Huat Building Singapore 369674	1 May 2005 to 30 April 2006	2,340	Production of VHS	Leong Huat (Investment) Pte Ltd
6 Harper Road #05-03 Leong Huat Building Singapore 369674	1 May 2005 to 30 April 2006	1,974	Store	Leong Huat (Investment) Pte Ltd
6 Harper Road #01-02 Leong Huat Building Singapore 369674	1 May 2005 to 30 April 2007	4,473	Production of VCD	Leong Huat (Investment) Pte Ltd
6 Harper Road #02-08 Leong Huat Building Singapore 369674	1 September 2005 to 30 April 2007	2,534	Office	Leong Huat (Investment) Pte Ltd

To the best of our Directors' knowledge, there are no regulatory requirements or environmental issues that may materially affect our utilisation of the above properties.

As at 30 April 2005, the net book value of our fixed assets, comprising motor vehicles and plant and equipment, amounted to approximately \$1.2 million.

PROSPECTS AND FUTURE PLANS

PROSPECTS

The growth in the home entertainment market is determined by consumer preferences, increased economic affluence and the number of new drama serials and film releases.

TVB serial programmes

Our offering of TVB serial programmes (mainly drama serials) on video for home rental and sale on VCD in Singapore has served as an anchor of growth for the development of our video distribution business. TVB is one of the largest free-TV broadcasters in Hong Kong and is one of the largest producers of Chinese language programmes in the world. TVB, together with its subsidiaries, produces approximately 400 hours of drama serials per year and maintains a pool of contract artistes, in-house script writers and producers to produce its drama serials. TVB has over the years produced many drama serials that were popular amongst its viewers worldwide and its drama serials continued to enjoy good demand amongst the Singapore viewers.

Since we procured the exclusive licence to distribute TVB serial programmes for one year commencing in May 2003, TVBI has renewed our licence agreement on 1 May 2004 and on 1 May 2005. On 1 May 2005, TVBI further renewed our licence agreement for a term of two years expiring on 30 April 2007. TVBI's consecutive renewals of our licence agreement is an indication of its satisfaction with our distribution of their products in Singapore. We will continue to foster our good relationship with TVBI and continue to increase our advertising and promotion activities to promote TVB serial programmes.

Non-Chinese language video market

Currently, we distribute mainly Chinese language programmes including Korean drama serials dubbed in Chinese language. English movies and increasingly foreign language films such as Thai language films, Hindi language films and Tamil language films are popular with film audiences and in video market. This offers an opportunity for us to tap on the non-Chinese language video market due to Singapore's multi-racial society.

Content production and sourcing

Sourcing of suitable content at a good value is essential to securing demand from the home viewers. In recent years, some Singapore production of films have done well in the box office. The film "I Not Stupid" achieved box office receipts of approximately \$3.8 million. Other successful Singapore films include "Money No Enough" and "The Best Bet". In addition, there is an increasing trend of independent production houses producing good quality movies in Hong Kong, Korea and Thailand, such as "House of the Flying Daggers" (a Hong Kong production), "The Eye" (a Hong Kong production), "Silmido" (a Korean production) and "Shutter" (a Thailand production) which have also done well in the box office. Through co-investment in the production of a film, we gain an advantage over our competitors in securing the distribution rights for the film. Whilst our focus is on video distribution, we will also acquire the cinematic rights, television broadcasting rights and other distribution rights for our co-invested films which have good potential at the box office.

Growth in South East Asian Market

Our Directors observed that there has been an increase in popularity of Chinese language films among non-Chinese speaking countries in South East Asia following the recent international recognition of some of the films produced by Hong Kong producers. Our Directors believe that a growing affluent population will drive the growth in the video entertainment market in South East Asia. We intend to grow our revenue through acquisition of distribution rights for video programmes for the South East Asian markets.

Liberalisation of censorship rules

With effect from July 2004, the MDA has implemented the classification system for films in the form of video. Videos are now classified under G (General), PG (Parental Guidance), NC16 (No Children under 16), and M18 (Mature 18 — for persons aged 18 and above). Prior to July 2004, videos were classified up to PG standards only. The introduction of the classification system for films in the form of video offers a wider choice of selection for consumers and allows them access to films in the form of video in their original content, which is the same as those screened in the cinemas. Our Directors observed that since the change in censorship rules, sales of video for films rated NC16 and M18 in the form of video in the general video market have increased.

Opportunities from technology advancements

Currently, motion pictures are distributed mainly by theatrical release, television broadcasting and in the form of video. We distribute mainly Chinese language drama serials and single movies in the form of video. The introduction of 3G technology in Singapore, together with changes in market demand may increase the delivery of entertainment programmes through 3G mobile phones. 3G technology allows mobile phone users to download and watch entertainment programmes such as 3G mobile drama and music videos. In addition, with the rapid development of technology, video programmes may increasingly be distributed via electronic means or cable TV in the form of Video-On-Demand or Pay Per View methods. The source of the contents will always be the same regardless of the method of delivery, whether through video or other means. We intend to tap on new opportunities arising from technological advancements to expand our distribution business.

Trend Information and Order Book

Our Directors observe that the following trends will have an impact on our business and financial performance in FY2006:

- (i) Sales of films rated NC16 and M18 on video in the general video market have increased after the introduction of the classification system for films in the form of video upon the liberalisation of censorship rules in 2004. The increase in sales is attributed to the wider choice available for video audiences and access to videos in their original content. Films classified as NC16 and M18, previously only released theatrically are now also distributed in the form of video.
- (ii) Watching films in DVD has become increasingly popular due to its finer resolution, better sound quality, multiple audio options, captioning and special features such as interactive menus, production notes and scene selection. Our Directors believe this trend will have a favourable impact on our financial performance as DVD gives a higher margin as compared to VCD.
- (iii) Ticket prices for movies in Singapore were increased in May 2005. The higher ticket prices may result in movie audience buying or renting video of movies instead of watching such movies in the cinema.
- (iv) Our cost of sales has increased due to higher TVB licence fees and related print and material supplies.
- (v) The supply of TVB serial programmes in terms of programming hours is expected to be higher in each of FY2006 and FY2007, as compared to FY2005 pursuant to the current terms of the TVBI Licence Agreements arising from the arrangement made under the variation agreements referred to in the "Risk Factors" section on page 32 of this Prospectus. The increase in supply of TVB serial programmes for FY2006 and FY2007 will lead to more titles being offered, and this in turn is expected to increase the Company's sales of VCD containing such programmes.
- (vi) We are in the process of acquiring multiple distribution rights which include cinematic rights, television broadcasting rights and video distribution rights for more Chinese language single movies. We have also commenced distributing cinematic rights, television broadcasting rights and video distribution rights of single movies on a commission basis that is calculated according to the revenue received from such distribution. The distribution of multiple distribution rights which include cinematic and television broadcasting rights will enable the Group to tap on new revenue streams, as opposed to the distribution of only video rights. In addition, the margins from the distribution of cinematic and television broadcasting rights are generally better than the margins from the distribution of video rights.

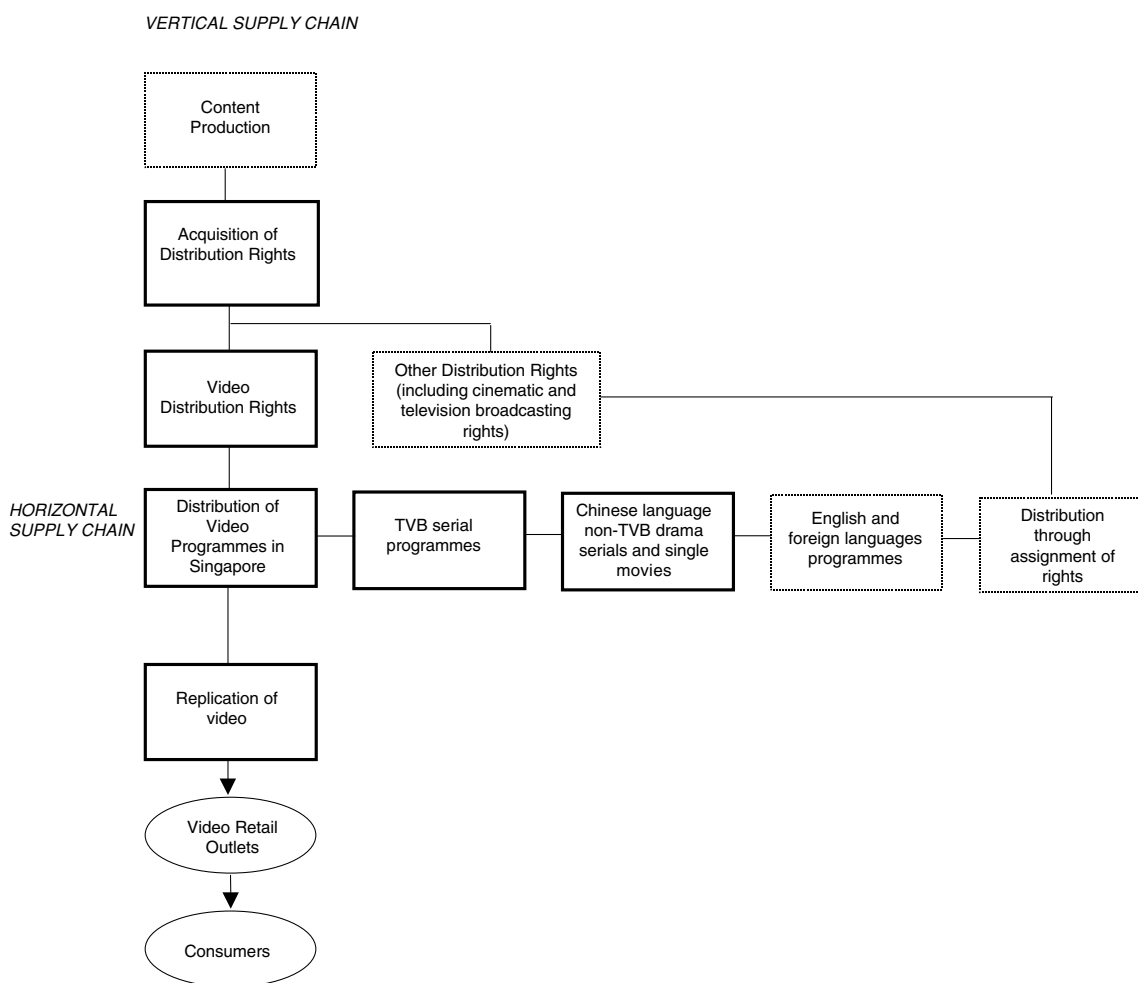
(vii) We have commenced distribution of English language video programmes in Singapore, pursuant to the video distribution rights obtained from Buena Vista Home Entertainment, Inc.. Our expansion to the non-Chinese language video market in Singapore enables us to tap on a new revenue stream, which will help to increase our revenue.

As at the Latest Practicable Date, we have secured committed minimum guaranteed sub-licence fees and purchases of TVB serial programmes on video amounting to approximately \$8.2 million from our sub-licensees and resellers respectively, which are payable on a periodic basis over the remaining period of the term under the respective sub-licence or reseller agreements, where approximately 37% of the said amount will be recognised as revenue during the remaining period of FY2006, barring unforeseen circumstances.

Save as disclosed above and in the “Review of Past Performance” section on pages 42 to 49 of this Prospectus, barring unforeseen circumstances, our Directors are not aware of any known recent trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our net sale or revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Prospectus to be not indicative of our future operating results or financial condition. Please also refer to the “Cautionary Note Regarding Forward-Looking Statements” section on page 14 of this Prospectus.

OUR BUSINESS STRATEGIES

The vertical and horizontal supply chains in our business are illustrated as follows:



Notes:

□ : refers to the space of our existing business

□ : refers to new space for our growth

Our current core strength lies in our ability to distribute TVB serial programmes for home entertainment through an extensive video retail distribution network of 168 retail outlets in Singapore as at 31 October 2005. We intend to leverage on our core strength to achieve growth in our horizontal and vertical supply chains, and our business strategies are as follows:

Expansion in the horizontal space

- We intend to increase our offering of Chinese language single movies that are either popular amongst the audience when screened in the cinema, or are of good intrinsic entertainment value even though they were not screened in cinema.
- In addition, we intend to expand our offering of video programmes to English and foreign language single movies. The foreign language single movies that we offer will allow audience to have options of viewing the movies in English or Chinese.

Expansion in the vertical space

- We intend to move upstream in our vertical supply chain by involving in the production of films, where we can gain opportunities to acquire the distribution rights at an earlier stage. In addition, we intend to acquire other distribution rights (including cinematic rights and television broadcasting rights) of single movies in addition to video distribution rights for suitable single movies.
- We intend to develop our business downstream along our vertical supply chain in order to achieve better control over our costs through replicating the VCD and DVD that our sub-licensees require. Depending on the market opportunities and availability of production facilities, we may also provide replication services for third parties so as to diversify our revenue stream and to maintain the utilisation rate of our production facilities.

Geographical expansion

We intend to expand our distribution of rights in non-TVB drama serials and single movies to Malaysia and other parts of South East Asia by acquiring multiple distribution rights for territories outside Singapore. We plan to assign such rights to local distributors in countries outside Singapore thus leveraging on their existing distribution network.

OUR FUTURE PLANS

Our future plans to implement our business strategies are as follows:

(a) Acquisition of distribution rights for new single movies and non-TVB drama serials

We intend to secure distribution rights for more Chinese language single movies and non-TVB drama serials by leveraging on the close business relationship that we have built up with major licensors over the years. In addition to video distribution rights, we also intend to acquire cinematic rights, television broadcasting rights and other distribution rights for suitable programmes. We also intend to acquire such distribution rights in relation to territories other than our primary market in Singapore, and these territories include Malaysia, Indonesia, Thailand, the Greater China, Europe and USA. In this connection, we have set up SEP(HK) in early 2005 which will serve as our film acquisition house focusing on the acquisition of single movies produced in the Greater China and other parts of Asia, such as Thailand, Korea and Japan. We have also set up SESB to serve the Malaysia territory.

We also intend to increase the variety of video programmes that we offer to include English and foreign language single movies and drama serials. Our expansion to the non-Chinese language video market in Singapore will enable us to tap on a new revenue stream whilst leveraging on our existing video distribution channel for Chinese language video programmes.

Approximately \$1.2 million of the net proceeds from the Invitation will be used for our acquisition of distribution rights for new single movies and non-TVB drama serials for territories both within and outside Singapore.

(b) Involvement in content production

It is our business strategy to engage in content production via co-investment in film production and the provision of services as a film producer, where we gain an early opportunity ahead of our competitors to secure the distribution rights in the film for theatrical release, television broadcasting and video distribution. As a first step in implementing this strategy, we have incorporated SEP in October 2004 and signed an agreement with Raintree Pictures in May 2005 for our co-investment in the production of "I Not Stupid Too", a single movie that is a sequel to the popular local Chinese movie "I Not Stupid" produced by Raintree Pictures. We intend to explore opportunities to co-invest in the production of other Chinese language single movies that are produced by independent production houses in the Greater China and other parts of Asia, such as Thailand, Korea and Japan. Approximately \$1.2 million of the net proceeds from the Invitation will be used for our investment in content production.

(c) Increase in advertising and promotional activities

We intend to increase our advertising and promotional activities in Singapore to promote the video products offered by us. Such activities include promoting TVB drama serials and single movies offered by us by organizing artistes' visits to Singapore, newspaper advertising and other form of publicity programmes. The popularity of the video products offered by us will help increase the revenue of our sub-licensees and resellers, which will in turn improve our financial performance. Further, it will help us attract new sub-licensees and resellers to retail video containing programmes distributed by us, hence strengthening our video distribution channels in Singapore.

(d) Tapping on new revenue stream by leveraging on our existing network of suppliers

Due to a recent liberalisation of advertisement rules in Singapore taking effect in January 2005 with the exception of advertisements relating to cigarettes or other controlled health products, third party advertisers are allowed to place advertisement in video programmes. With this liberalisation, we have started offering advertisers an alternative platform to advertise and promote their products or services through the video distributed by us to the Singapore public and to increase such activities as a new revenue stream. Presently, we have outsourced the procurement of advertisement on the video medium to a third party advertising agency.

With the rapid development of technology, video programmes can be distributed via electronic means or cable TV in the form of Video-On-Demand or Pay Per View method. 3G technology also allows mobile phone users to download and watch entertainment programmes. We are negotiating for distribution rights with our existing network of suppliers of video programmes in anticipation of the distribution of video content via electronic means becoming popular in Singapore, hence adding a new source of revenue stream to our Group.

(e) Expansion of business through strategic alliances, joint ventures or mergers and acquisitions

To further expand our business, we may enter into strategic alliances, joint ventures or mergers and acquisitions with companies that provide services and products that are complementary to or that may offer a synergistic fit to our existing operations or our growth plans. In particular, as we garner distribution rights for more single movies and drama serials for the Malaysia territory, we may consider setting up a VCD and DVD replication business in Malaysia to complement our distribution business. Presently, our Group does not have any specific initiatives or plans with regard to any investment in strategic alliances, joint ventures or mergers and acquisitions. As at the Latest Practicable Date, we have not identified any potential target for acquisition or to form joint ventures or strategic alliances with. Should the opportunity arise, we will seek approval, where necessary, from our Shareholders and the relevant authorities as required under the relevant laws and regulations. Approximately \$1.2 million of the net proceeds from the Invitation will be used for strategic acquisitions or potential joint ventures when such opportunities arise.

INTERESTED PERSON TRANSACTIONS

Save as disclosed below, no Director, Controlling Shareholder or Associate of such Director, or Controlling Shareholder, was or is interested in any transaction undertaken by our Group which is considered material in itself, within the last three financial years ended 30 April 2005 and up to the Latest Practicable Date.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Guarantees provided by our Executive Directors

Our Executive Directors, John Ho and Venessa Lian, have provided a joint and several guarantee to secure banking facilities in relation to finance leases for machinery granted by OCBC Bank totalling \$546,160. The nature of the banking facilities are described under "Capitalisation and Indebtedness" on page 55 of this Prospectus. As at the Latest Practicable Date, the outstanding amount guaranteed was approximately \$445,000.

As at the Latest Practicable Date, we also have banking facilities from OCBC Bank and Malayan Banking Berhad totalling \$1,700,000. Please refer to "Liquidity and Capital Resources" on pages 52 and 53 of this Prospectus for more details on the banking facilities. Our Executive Directors, John Ho and Venessa Lian, have provided joint and several guarantees to secure the banking facilities with OCBC Bank and Malayan Banking Berhad. As at the Latest Practicable Date, the outstanding amount guaranteed was approximately \$732,000.

Subsequent to the Invitation, our Executive Directors intend to request OCBC Bank and Malayan Banking Berhad to release the above guarantees by substituting the same with other securities acceptable to the respective banks. Should the respective banks not agree to release the above guarantees, our Executive Directors may continue to provide the guarantees or we may seek and obtain alternative banking facilities from other financial institutions offering comparable terms. Our Directors are confident that with our listed status and strengthened financial position, we should be able to secure alternative banking facilities on terms similar to the existing facilities.

John Ho had also provided guarantees to TVBI and TVBO to guarantee the performance by Scorpio East of its duties and obligations under the respective agreements in connection with the grant of exclusive video distribution rights for our distribution in Singapore of TVB serial programmes. The details of the guarantees provided by John Ho are as follows:

Agreement	Guarantee provided to
Licence Agreement	TVBI
Prints and Materials Agreement	TVBO
Video Compact Disc Distribution Agreement	TVBI
Licence Agreement for Licensed CITVC Films	TVBI

Subsequent to the Invitation, John Ho intends to request TVBI and TVBO respectively to release the above guarantees by substituting the same with a corporate guarantee to be provided by our Company. In the event that TVBI and TVBO do not agree to the release of the above guarantees, John Ho intends to continue to provide the above guarantees to TVBI and TVBO respectively.

PAST INTERESTED PERSON TRANSACTIONS

(1) Sale of shares in Infodisc Multimedia Manufacturing Pte Ltd (“Infodisc”) to John Ho

Infodisc is a limited private company incorporated in Singapore and is principally engaged in the manufacture of disk media. On 20 May 2004, Scorpio East transferred its entire interest in Infodisc, being 220,000 ordinary shares of \$1.00 each (“the Infodisc shares”), to our CEO and Executive Director, John Ho, for an aggregate consideration of \$220,000, being equivalent to the par value of the Infodisc shares. The Infodisc shares constituted 33.3% of its total issued share capital at that time and the remaining shares in Infodisc were held by two unrelated third parties. The audited NTA of Infodisc as at 31 December 2003 is \$951,000 and the consideration for the transfer was determined after taking into account the NTA of Infodisc and John Ho continuing to provide personal guarantees for certain hire purchase facilities taken up by Infodisc. One of the conditions of the share transfer was also that John Ho will not hold Scorpio East responsible for any loss, damage or claim which he may suffer, incur or sustain in connection with the personal guarantees provided by him to secure the liabilities of Infodisc. The transaction was entered into on an arm’s length basis and the purchase consideration has been fully settled.

(2) Replication services provided by Infodisc

Pursuant to the transfer of the Infodisc shares referred to under paragraph (1) above, our CEO and Executive Director, John Ho, held the Infodisc shares, constituting approximately 33.3% equity interest in Infodisc, up to 3 September 2004, when he subsequently sold the Infodisc shares to the remaining two shareholders of Infodisc. The remaining two shareholders of Infodisc are not related to our Directors or Substantial Shareholders. During the period from 20 May 2004 to 3 September 2004 when John Ho was a shareholder of Infodisc (“the Relevant Period”), Infodisc provided replication services to our Group. The replication services were provided on an arm’s length basis and amounted to an aggregate of \$254,000 for the Relevant Period. As at the Latest Practicable Date, the Group has ceased to engage the replication services of Infodisc.

(3) Provision of audit and corporate tax services by P.K. Tiong & Co.

Tiong Pin Kew Christine, who is the wife of Yee Kit Hong, our Independent Director, is a partner of P.K. Tiong & Co., which were the auditors and tax agents of Scorpio East up to FY2004. The total fees paid to P.K. Tiong & Co. in the last three financial years were as follows:

(\$’000)	FY2003	FY2004	FY2005	From 1 May 2005 to the Latest Practicable Date
Fees paid to P.K. Tiong & Co.	5	7	—	4

The above transactions were conducted on an arm’s length basis. With effect from FY2005, P.K. Tiong & Co. ceased to be the auditors and tax agents of Scorpio East. The additional fees incurred during the period from 1 May 2005 to the Latest Practicable Date arose from work done by P.K. Tiong & Co. in relation to the financial statements of Scorpio East for FY2003 and FY2004 in connection with the Invitation. Transactions with P.K. Tiong & Co. will not occur after the admission of our Company to the Official List of the SGX Sesdaq.

(4) Purchase of car by John Ho from the Company

Our CEO and Executive Director, John Ho, will purchase from the Company a one-year old car which he had been using and which was held on trust for the Company, for a consideration of \$436,000. The original purchase price of the car was \$670,000. The price paid by John Ho was based on its net book value which was determined after taking into consideration depreciation of approximately \$134,000 per year (calculated by dividing the difference between the original purchase price and the Preferential Additional Registration Fee (PARF) value of the car by five years). The transaction will be completed and the consideration will be fully paid by John Ho, by the assumption of the outstanding car loan and payment of the difference in cash prior to the admission of our Company to the Official List of the SGX Sesdaq.

GUIDELINES AND REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that all interested person transactions are undertaken on an arm's length basis, on normal commercial terms and will not be prejudicial to our Company and minority Shareholders, our Audit Committee will adopt the following procedures when reviewing interested person transactions:

- (i) when purchasing items from or engaging the services of an interested person, two other quotations from non-interested persons will be obtained (where available) for comparison to ensure that the interests of minority Shareholders are not disadvantaged. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two other quotations from non-interested persons. In determining the most competitive price or fee, all pertinent factors, including but not limited to quality, delivery time and track record will be taken into consideration;
- (ii) when selling items or supplying services to an interested person, the price or fee and terms of two other successful transactions of a similar nature with non-interested persons will be used for comparison to ensure that the interests of minority Shareholders are not disadvantaged. The sale price or fee for the supply of services shall not be lower than the lowest sale price or fee of the two other successful transactions with non-interested persons; and
- (iii) when renting properties from or to an interested person, our Directors shall take appropriate steps to ensure that such rent is commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties and obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where considered appropriate). The rent payable shall be based on the most competitive market rental rate of similar property in terms of size and location, based on the results of the relevant enquiries.

Our Audit Committee will review all interested person transactions, if any, at least half-yearly to ensure that they are carried out at arm's length and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by our Audit Committee. Our Audit Committee shall request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as it deems fit. In the event that a member of the Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction. Furthermore, if during these periodic reviews, our Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that interests of minority Shareholders are not prejudiced, we will adopt new guidelines and procedures.

In addition, our Audit Committee will include the review of interested person transactions as part of its standard procedures while examining the adequacy of our internal controls. Our Board will also ensure that all disclosure, approval and other requirements on interested person transactions, including those required by prevailing legislation, the SGX-ST Listing Manual and accounting standards, are complied with. In addition, such transactions will also be subject to Shareholders' approval if deemed necessary by the SGX-ST Listing Manual.

POTENTIAL CONFLICTS OF INTERESTS

Save as disclosed under “Interested Person Transactions” of this Prospectus:–

- (a) none of our Directors, Controlling Shareholders or their Associates has any interest, direct or indirect, in any material transactions to which our Company or any of our subsidiaries was or is a party;
- (b) none of our Directors, Controlling Shareholders or their Associates has any interest, direct or indirect, in any entity carrying on the same business or dealing in similar products as our Group; and
- (c) none of our Directors, Controlling Shareholders or their Associates has any interest, direct or indirect, in any enterprise or company that is our Group’s customer or supplier of goods or services.

INTERESTS OF EXPERTS

None of the experts named in this Prospectus:

- (a) is employed on a contingent basis by our Company or any of our subsidiaries;
- (b) has a material interest, whether direct or indirect, in our Shares or in the shares of our subsidiaries; or
- (c) has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.

INTERESTS OF PLACEMENT AGENT, UNDERWRITER OR MANAGER

In the reasonable opinion of our Directors, the Underwriter, the Placement Agent and the Manager do not have a material relationship with our Company save that the Offer is underwritten by the Underwriter, the Placement is undertaken by the Placement Agent, and the Invitation is managed by the Manager. Please refer to pages 29 and 30 of this Prospectus for details on our management, underwriting and placement arrangements.

DIRECTORS, MANAGEMENT AND STAFF

DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. Our Directors' particulars are listed below:

Name	Age	Address	Current Occupation
Ho Ah Huat ⁽¹⁾	47	29 Lorong Lew Lian #03-05 Cherry Hill Condominium Singapore 536471	CEO and Executive Director
Lian Lee Lee ⁽¹⁾	35	29 Lorong Lew Lian #03-05 Cherry Hill Condominium Singapore 536471	Executive Director
Yee Kit Hong	56	4 Jalan Chengam Singapore 578288	Partner, Kit Yee & Co
Dr Chong Weng Chiew	36	22 Jalan Lekub Singapore 808743	Chairman, Compass Welfare Foundation Limited
Chia Hoo Khun Valery Kelvin	54	8 Oak Avenue Singapore 276767	Managing Partner, Kelvin Chia Partnership

Notes:

(1) Our Executive Directors, Ho Ah Huat and Lian Lee Lee are husband and wife.

The working and business experience of our Directors are set out below:

Ho Ah Huat (also known as John Ho) is our CEO and Executive Director, responsible for establishing our Group's strategic direction, expansion plans and managing our Group's day-to-day operations. He is the founder of our Group and has been involved in different aspects of our Group's business. Prior to 1994, John Ho was involved in several video distribution businesses, distributing drama serials and single movies to independent video retailers. In 1994, he set up Golden Mandarin Video Pte Ltd (the former name of Scorpio East) to distribute Chinese language single movies on laser disc and VHS. In 1999, he set up Golden Mandarin Organisation Pte Ltd and started distributing TVB's Chinese language serial programmes in Singapore in 2000. John Ho resigned as a director of Golden Mandarin Video Pte Ltd in July 2001 and rejoined Scorpio East as a director in August 2003. During that time, he continued to serve as an advisor of Scorpio East. Over the years, John Ho has accumulated experience in the video entertainment business and has also established valuable contacts with major licensors both locally and in the region. John Ho received formal education up to secondary school.

Lian Lee Lee (also known as Venessa Lian) is our Executive Director and oversees our public relations and advertising and promotional activities. She joined Golden Mandarin Video Pte Ltd in 1998 as a shareholder and director and has been working closely with John Ho in developing our Group's business. From 1999 to 2002, she was an executive director of Golden Mandarin Organisation Pte Ltd, a company distributing TVB's Chinese serial programmes in Singapore. Golden Mandarin Video Pte Ltd had scaled down its operations with little trade transactions after mid-1999. Subsequently around August 2002, she reorganised the business relating to the distribution of Chinese language single movies under Golden Mandarin Video Pte Ltd. However, between December 2002 and March 2003, she was not a director of Scorpio East. After rejoining Scorpio East as a director in March 2003, she was involved in securing the exclusive TVB license. From 1998 to 2003, she was also a sales manager with Mandarin Films Limited where she was responsible for market development, distribution and sales of motion pictures. From 1994 to 1998, she was an agent with Picture Image Sdn Bhd where she was responsible for advertising and promotions for motion pictures. Through her years of experience, she has established a wide network of independent producers and distributors of motion pictures. She had overseen the video distribution business and directed the advertising and promotional activities of our

Group. Currently, she is responsible for overseeing market development, sales and business strategy and advertising and promotional activities. Venessa Lian received formal education up to secondary school.

Yee Kit Hong was appointed as an Independent Director of our Company on 9 December 2005. He has about 30 years of experience in audit and accounting and is currently a partner with Kit Yee & Co, a firm of Certified Public Accountants which he set up in 1989. From 1982 to 1989, he was with Ernst & Young and was an audit/tax manager when he left in 1989. From 1979 to 1982, he was an audit senior with Wilson Green Gibbs, a firm of Chartered Accountants in England. Prior to that, from 1977 to 1978, he was a project accountant with Brown & Roots. He started his career as a project accountant with Morrison Knudsen Low Keng Huat JV from 1975 to 1977. Yee Kit Hong has a Bachelor of Accountancy degree from the University of Singapore. He is a member of the Institute of Certified Public Accountants of Singapore and an associate member of the Institute of Chartered Accountants, England and Wales. Yee Kit Hong is currently a full member of the Singapore Institute of Directors and a member of the Grassroots Organisations in Hougang Constituency. In recognition of his public services, he was conferred the Public Service Medal (PBM) in 2003.

Dr Chong Weng Chiew was appointed as an Independent Director of our Company on 9 December 2005. Dr Chong is a medical doctor and is currently the chairman of Compass Welfare Foundation Limited. He was the CEO of Ang Mo Kio Hospital, which provides medical care and rehabilitation services for its patients from January 2003 to June 2005. Prior to joining Ang Mo Kio Hospital, Dr Chong was the medical director of Thye Hua Kwan Moral Society from December 2001 to December 2002, the medical director of the Singapore Buddhist Welfare Services from May 1997 to November 2001, and a medical doctor with the Ministry of Health (Singapore) Health Care from May 1993 to April 1995. Dr Chong holds a MBBS (Bachelor of Surgery, Medicine) degree from the National University of Singapore and has been a Member of Parliament representing the Tanjong Pagar Group Representation Constituency since October 2001.

Chia Hoo Khun Valery Kelvin was appointed as an Independent Director of our Company on 17 January 2006. He is the Managing Partner of Kelvin Chia Partnership, a regional law firm with offices in Singapore, Vietnam, China and Myanmar. He specialises in the investment law in Vietnam and commercial litigation in Singapore. He is a director of QAF Limited, Bausch & Lomb (S'pore) Pte Ltd and several other private companies. Chia Hoo Khun Valery Kelvin holds a bachelor of law degree from the University of Singapore.

The list of present and past directorships of each Director for the past five years is set out under the heading "General and Statutory Information" on pages 108 and 109 of this Prospectus.

DIRECTORS' REMUNERATION

The remuneration (including salary, bonus, CPF contribution, Director's fee and benefits-in-kind) paid to our Directors on a proforma basis for FY2004 and FY2005, and the estimated remuneration paid and payable to them on a proforma basis for FY2006, in remuneration bands of \$250,000 per annum⁽¹⁾, are as follows:

Directors	FY2004	FY2005	Estimated FY2006
Ho Ah Huat	Band I	Band II	Band II
Lian Lee Lee	Band I	Band II	Band II
Yee Kit Hong	—	—	Band I
Dr Chong Weng Chiew	—	—	Band I
Chia Hoo Khun Valery Kelvin	—	—	Band I

Notes:

- (1) Band I refers to remuneration between \$0 to \$249,999 per annum.
Band II refers to remuneration of more than \$250,000 and up to \$499,999 per annum

The estimated remuneration for FY2006 does not include any incentive bonus payable under the Service Agreements of the Executive Directors.

EXECUTIVE OFFICERS

The day-to-day operations of our Group are entrusted to our Executive Directors and an experienced and qualified team of Executive Officers responsible for the different functions of our Group. The particulars of our Executive Officers are set out below:

Name	Age	Address	Current Occupation
Teo Choong Nan	63	717 Bedok Reservoir Road #02-4536 Singapore 470717	Head, Rental Licensing
Lian Poh Chey ⁽¹⁾	30	22 Jalan Rawa II Taman Pelangi Indah 81800 Ulu Tiram Johor Malaysia	Head, Sales and Distribution
Lim Kien Nam	55	100 Clemenceau Avenue North #03-109 Singapore 229491	Head, Accounts and Administration
Titus Ho Wing Lam	53	557 Upper Thomson Road #01-10 Singapore 574418	General Manager, Scorpio East Pictures Pte Ltd
Tay Joo Heng	40	53 Regent Street Singapore 798338	Head, Corporate Finance and Services

Note:

(1) Lian Poh Chey is the brother-in-law of Ho Ah Huat and brother of Lian Lee Lee.

The working and business experience of our Executive Officers are set out below:

Teo Choong Nan is our Head of Rental Licensing. He has more than 30 years of experience in the film industry. He joined our Group in April 2003 and is responsible for marketing and overseeing our rental distribution network. Prior to joining our Group, he was a distribution manager with Overseas Movie Distribution Pte Ltd from 1997 to 2003 where he was responsible for film acquisitions, operations and advertising and promotion activities. From 1986 to 1996, he was an executive secretary with Golden Mile Tower MCST 677 and from 1970 to 1985, he was a film booking manager with Chong Gay Theatres Ltd. Teo Choong Nan started his career in the film industry as a film booker with Cathay Organisation Ltd from 1959 to 1969. He received formal education up to Senior Cambridge level.

Lian Poh Chey is our Head of Sales and Distribution. He joined our Group in 2002 and is currently responsible for marketing and overseeing our sales and distribution network. Prior to joining our Group, from 2000 to 2002, he was with Golden Mandarin Organisation Pte Ltd and his responsibilities included assisting the CEO in overseeing the sales and distribution activities of the company. From 1997 to 1998, he was a sales and marketing executive with Vein-Tech Systems Engineering Co., Ltd, responsible for product market development, sales promotion and customer servicing. He started his career in the video entertainment business as a sales and marketing executive with Golden Mandarin Video Pte Ltd (the former name of Scorpio East) from 1993 to 1996, and later from 1998 to 2000, where he was involved in market development, network management and client services. Lian Poh Chey has a Diploma in Business Administration from SGP International Management Academy.

Lim Kien Nam is our Head of Accounts and Administration. He has more than 20 years of experience in accounting, finance and corporate services. He joined our Group in January 2004, responsible for the overall finance and administration functions of our Group. Prior to joining our Group, he was a remiser with OUB Securities Pte Ltd from 1995 to 2003. From 1990 to 1995, he was a group accountant with Eng Wah Organisation Limited, responsible for the overall financial functions of the group of companies. Prior to that, from 1988 to 1990, he was an accountant with Golden Crown Video Pte Ltd, where he was responsible for the overall accounting and reporting functions of the company. Lim Kien Nam obtained his qualification as a certified accountant from the Association of Certified Accountants, United Kingdom.

Titus Ho Wing Lam is our General Manager for Scorpio East Pictures Pte Ltd. He joined our Group in May 2005 and is responsible for managing the content production business of SEP and the acquisition of film video distribution rights for our Group. Prior to joining our Group, he was the deputy general manager with MediaCorp Raintree Pictures Pte Ltd, responsible for managing and supervising all aspects of content production, acquisition and distribution work since September 2001. From May 2000 to September 2001, he was a consultant for film production, strategic planning and theme park development. From February 2000 to May 2000, he was a director of production and planning with Universe Film Distribution Co., Ltd. He was a managing director for Asia Pacific with Winners' Workshop Production Co., Ltd, responsible for managing the production of more than 120 tele-feature films annually and acquisition of film and video distribution rights. From May 1984 to February 1999, he was with Shaw Brothers (HK) Ltd as a director of production, planning and development. Titus Ho Wing Lam has a Bachelor of Science degree from the University of Waterloo, Ontario, Canada.

Tay Joo Heng is our Head of Corporate Finance and Services. He joined our Group in October 2004 and is responsible for business development and special projects. Prior to joining our Group, from April 2004 to September 2004, he was with mTouche Pte Ltd, as the Chief Finance Officer, responsible for finance, administration and human resource matters for its Singapore, Malaysia and Indonesia operations. From September 1997 to April 2004, he worked with Singapore Press Holdings (SPH) group of companies. His responsibilities included business development and strategic planning, financial budgeting and analysis. From 1996 to 1997, he was a senior financial analyst with Hewlett Packard Singapore Pte Ltd. Tay Joo Heng has a Bachelor of Accountancy (Honours) degree from the National University of Singapore. He is a Certified Public Accountant in Singapore and a non-practising member of the Institute of Certified Public Accountants of Singapore.

The list of present and past directorships of each Executive Officer for the past five years is set out under the heading "General and Statutory Information" on page 109 of this Prospectus.

We did not enter into any agreement or arrangement or have any understanding with our Substantial Shareholders, customers or suppliers pursuant to which we will appoint any of them or any person nominated by any of them as Director or Executive Officer.

REMUNERATION OF EXECUTIVE OFFICERS AND OTHER EMPLOYEES WHO ARE RELATED TO DIRECTORS/SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, there are three other employees of our Group who are related to our Directors and Substantial Shareholders. These employees are Lian Poh Chey⁽¹⁾, Ng Eng See⁽²⁾ and Stephen Quek Pok Yeow⁽³⁾. Their remuneration in FY2005 are \$47,450, \$36,288 and \$45,031 respectively. The remuneration paid to these employees is determined on the same basis as the remuneration of other unrelated employees. Our Audit Committee is of the view that their respective remuneration packages are in line with our staff remuneration guidelines and commensurate with their job scopes and level of responsibility.

The remuneration of employees related to our Directors and Substantial Shareholders will be reviewed annually by our Audit Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their job scope and level of responsibility. In the event that a member of our Audit Committee is related to the employee under review, he will abstain from the review.

Notes:

- (1) Lian Poh Chey is the brother-in-law of John Ho and brother of Venessa Lian. He is an Executive Officer and holds the position of Head, Sales and Distribution.
- (2) Ng Eng See is the brother-in-law of John Ho. He holds the position of Production Manager.
- (3) Stephen Quek Pok Yeow is the nephew of John Ho. He holds the position of Senior Marketing Executive.

TOP FIVE EXECUTIVE OFFICERS' REMUNERATION

The names of our top five Executive Officers in remuneration bands of \$250,000 per annum⁽¹⁾ are:

	FY2004	FY2005	Estimated FY2006
Titus Ho Wing Lam	—	—	Band I
Teo Choong Nan	Band I	Band I	Band I
Lian Poh Chey	Band I	Band I	Band I
Lim Kien Nam	Band I	Band I	Band I
Tay Joo Heng	—	Band I	Band I

Notes:

(1) Band I refers to remuneration between \$0 to \$249,999 per annum.

STAFF

As at 30 April 2005, we had 41 full-time employees.

We do not employ a significant number of temporary employees. Our employees are not unionised. The relationship and co-operation between the management and staff have been good and are expected to continue in the future. There has not been any incidence of work stoppages or labour disputes which affected our operations.

All our employees are based in Singapore. The functional distribution of our employees as at the end of each of the past three financial years ended 30 April is as follows:

	Number of Employees		
	2003	2004	2005
Management and supervisory ⁽¹⁾	6	9	10
Finance and administration ⁽²⁾	6	9	10
Merchandising and sales	8	15	21
Total	20	33	41

Notes:

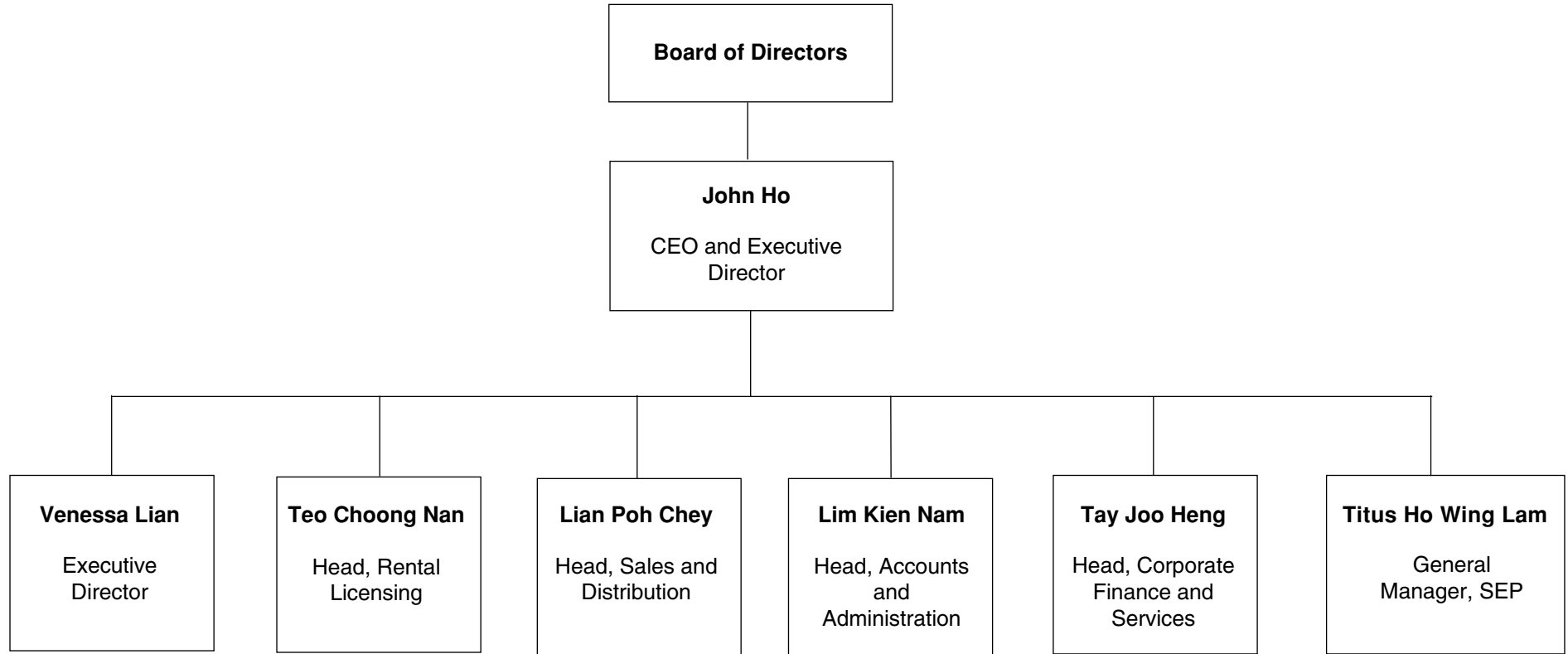
(1) Directors and Executive Officers are classified under management and supervisory.

(2) Administrative clerks and accounts executives are classified under finance and administration.

As at 31 October 2005, our Group employed 54 staff. We did not set aside or accrue any amount of money to provide for pension, retirement or similar benefits for any of our employees as at the Latest Practicable Date.

MANAGEMENT STRUCTURE

The following chart shows our management reporting structure as at the date of this Prospectus:



SERVICE AGREEMENTS

Our Company has entered into Service Agreements with our Executive Directors, John Ho and Venessa Lian (collectively, “the Appointees”) dated 19 July 2005. The Service Agreements for the Appointees are valid for an initial period of three years with effect from 1 May 2005. Upon the expiry of the initial period under the respective Service Agreements (“Initial Period”), the employment of each Appointee shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may agree.

Either party may terminate the respective Service Agreements by giving six months’ notice in writing, or in lieu of notice, payment of an amount equivalent to six months’ salary based on the Appointees’ last drawn monthly salary. The Service Agreements may also be terminated by our Company without notice or payment in lieu of notice under the following circumstances:

- (i) if the Appointee is guilty of any gross default or grave misconduct in connection with or affecting the business of our Company;
- (ii) in the event of any serious or repeated breach or non-observance by the Appointee of any of the stipulations contained in the Service Agreement;
- (iii) if the Appointee becomes bankrupt or makes any composition or enters into any deed of arrangement with his creditors; or
- (iv) if the Appointee shall become of unsound mind.

Pursuant to the terms of the respective Service Agreements, John Ho is entitled to receive a monthly salary of \$25,000 and Venessa Lian is entitled to receive a monthly salary of \$20,000. Each of them is entitled to receive a fixed bonus of one month’s salary per annum.

John Ho and Venessa Lian are each entitled to the use of a car provided by our Company and our Company will cover all expenses incurred in connection with the car, such expenses including petrol, car park charges, electronic road pricing charges, maintenance and repair expenses as well as road tax and car insurance incurred for the car.

Under the terms of John Ho’s Service Agreement, our Company will purchase a personal accident policy for John Ho with insurance coverage of up to \$1 million for the benefit of his family.

John Ho will also be paid an additional incentive bonus if our Group’s audited consolidated profit before tax (after deducting profit before tax attributable to minority interests and excluding extraordinary items, but before paying the incentive bonus) (“Group PBT”) exceeds \$3.5 million in any financial year. The incentive bonus will be based on a percentage of our Group PBT as set out in the table below and will be payable after the consolidated financial statements of our Group for each financial year has been audited:

Range of Group PBT (applicable only if Group PBT exceeds \$3.5 million)	Amount of incentive bonus
For the first \$3.5 million	—
Amount in excess of \$3.5 million and up to \$4.5 million	6% of the amount in excess of \$3.5 million
Amount in excess of \$4.5 million and up to \$6.0 million	\$60,000 plus 8% of the amount in excess of \$4.5 million
Amount in excess of \$6.0 million	\$180,000 plus 10% of the amount in excess of \$6.0 million

Venessa Lian will be entitled to a discretionary bonus, subject to the approval of our Board and the Remuneration Committee.

Under the Service Agreements, the remuneration of the Appointees is subject to review by our Board and the Remuneration Committee on the first day of June at the end of each 12-month period. Any increase in the Appointee's salary shall also be subject to the approval of our Board and the Remuneration Committee. The relevant Appointee shall abstain from voting in respect of any resolution or decision to be made by our Board in relation to the terms and renewal of his Service Agreement.

Under the Service Agreements, the Appointees have covenanted not to do business with any person who has done business with us or entice away any of our employees in connection with the carrying on of any business similar to or in competition with our business for twelve months after ceasing to be employed under their respective Service Agreement. The Appointees have also covenanted not to carry on any activity or business in competition with us within Singapore or any country in which we have operations or carried on business for twelve months after ceasing to be employed under their respective Service Agreement.

Had the Service Agreements been in place in FY2005, the aggregate remuneration (including contribution to CPF and other benefits) paid to the Appointees would have been \$0.63 million instead of \$0.68 million, a reduction of approximately \$48,000. Our profit before income tax and profit after income tax would have been \$3.3 million and \$2.6 million respectively.

Save as disclosed above, there are no other existing or proposed service agreements between our Company or our subsidiaries and any of our Directors or Executive Officers.

There is no existing or proposed service contract entered or to be entered into by our Directors with our Company or any of our subsidiaries which provide for benefits upon termination of employment.

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the offering of high standards of accountability to our Shareholders. Accordingly, our Directors have established a Nominating Committee, a Remuneration Committee and an Audit Committee.

Nominating Committee

Our Nominating Committee comprises Yee Kit Hong, Dr Chong Weng Chiew and John Ho. The Chairman of our Nominating Committee is Yee Kit Hong. Our Nominating Committee will be responsible for:

- (a) re-nomination of our Directors, having regard to our Director's contribution and performance;
- (b) determining on an annual basis whether or not a Director is independent; and
- (c) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

Our Nominating Committee will decide how the performance of the Board of Directors is to be evaluated and propose objective performance criteria, subject to the approval of the board, which address how the board has enhanced long-term Shareholders' value. The performance evaluation will also include consideration of our Share price performance over a five-year period vis-a-vis the Straits Times Index. The board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of the board as a whole and for assessing the contribution of each individual Director to the effectiveness of the board. Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

Remuneration Committee

Our Remuneration Committee comprises Dr Chong Weng Chiew, Yee Kit Hong and John Ho. The Chairman of our Remuneration Committee is Dr Chong Weng Chiew. Our Remuneration Committee will recommend to the board a framework of remuneration for our Directors and key executives, and determine specific remuneration packages for each executive Director. The recommendations of our Remuneration Committee should be submitted for endorsement by the entire Board of Directors. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package.

Audit Committee

Our Audit Committee comprises Yee Kit Hong, Dr Chong Weng Chiew and Chia Hoo Khun Valery Kelvin. The Chairman of our Audit Committee is Yee Kit Hong.

Save as disclosed under paragraph (3) of "Past Interested Person Transactions" relating to Yee Kit Hong, our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors or Substantial Shareholders. They are also not related to the other Directors or Substantial Shareholders.

Our Audit Committee will meet periodically to perform the following functions:

- (a) review the audit plans of our external auditors;
- (b) review the external auditors' reports;
- (c) review the co-operation given by our officers to the external auditors;
- (d) review our financial statements before their submission to the Board of Directors;
- (e) nominate external auditors for re-appointment;
- (f) approve internal control procedures and arrangements for all interested person transactions; and
- (g) review and ratify all interested person transactions to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis and on normal commercial terms.

Apart from the above functions, our Audit Committee will commission and review the findings of internal investigations into matters where there is suspicion of fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on our operating results and/or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

Board Practices

Our Directors are appointed by our Shareholders at a general meeting, and an election of Directors takes place annually. One third (or the number nearest one third) of our Directors are required to retire from office at each annual general meeting. Further, all our Directors are required to retire from office at least once in every three years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further details on the appointment and retirement of Directors can be found under Appendix E — Extracts of Memorandum and Articles of Association of our Company, set out on pages E-3 to E-5 of this Prospectus.

CLEARANCE AND SETTLEMENT

Upon listing and quotation on the SGX Sesdaq, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of Securities Accounts with CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through Depository Agents, Securities Accounts with CDP. Persons named as direct securities account holders and Depository Agents in the Depository Register maintained by CDP, rather than CDP itself, will be treated, under our Articles of Association and the Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be prima facie evidence of title and may be transferred in accordance with our Articles of Association. A fee of \$10 for each withdrawal of 1,000 Shares or less and a fee of \$25 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of \$2 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of \$10 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$20 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.05% of the transaction value subject to a maximum of \$200 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore goods and services tax of 5%.

Dealings of our Shares will be carried out in Singapore Dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

GENERAL AND STATUTORY INFORMATION

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The names, ages, addresses and current occupations of our Directors and Executive Officers are set out on pages 97 and 99 of this Prospectus respectively.
2. The present and past directorships (held in the five years preceding the date of this Prospectus) of each of our Directors, other than in our Company are set out below:

Name	Present Directorships	Past Directorships
Ho Ah Huat	Scorpio East Entertainment Pte. Ltd. Scorpio East Multimedia Pte. Ltd. Scorpio East Pictures Pte. Ltd. Scorpio East Pictures (H.K.) Limited	L & J Enterprise Pte Ltd (Struck Off) Natural Video Pte Ltd (Struck Off) Golden Mandarin Films Pte Ltd (Struck Off) Golden Mandarin Organisation Pte Ltd Omnistar Corporation Pte Ltd Comstar Films Pte. Ltd. (formerly known as Video 21 Network Pte Ltd and Vision Films Pte. Ltd.) Infodisc Multimedia Manufacturing Pte. Ltd.
Lian Lee Lee	Scorpio East Entertainment Pte. Ltd. Scorpio East Multimedia Pte. Ltd. Scorpio East Entertainment Sdn Bhd	Golden Mandarin Films Pte Ltd (Struck Off) Golden Mandarin Organisation Pte Ltd L & J Enterprise Pte Ltd (Struck Off)
Yee Kit Hong	Meridien Pte. Ltd.	Nil
Dr Chong Weng Chiew	Fibrechem Technologies Limited Reyoung Pharmaceutical Holdings Limited Compass Welfare Foundation Limited Apec Business Centre Pte. Ltd. China Wanfeng Real Estate Pte. Ltd. United Envirotech Ltd.	Estriva Medispa (S) Pte. Ltd.
Chia Hoo Khun Valery Kelvin	QAF Limited Bausch & Lomb (S'pore) Pte Ltd Candipark Private Limited Nihon Sekkei Consultants (S) Pte Ltd CMS Resources Pte Ltd Pegwell Investments Pte Ltd Sankai Holdings Pte. Ltd. Agri Development Pte. Ltd. Ai De Hua Pte. Ltd. Ecco China Wholesale Holding (Singapore) Pte. Ltd.	Treasury Solutions Pte Ltd Ipco International Limited. Goldright Technology Pte Ltd Spear, Leeds & Kellogg (Singapore) Pte Ltd Fetlar Investments Pte Ltd Paulaner Brauhaus Singapore Pte. Ltd. Insitu Envirotech Pte Ltd Hotrev.com Pte Ltd Magically (S.E.A) Pte Ltd El Paso Energy Singapore Pte Ltd

Name	Present Directorships	Past Directorships
	Tesco Singapore Pte. Ltd. Little Sheep Singapore Holdings Company Pte. Ltd. Pacific Trading Post Pte. Ltd. Beijing Academy Pte. Ltd. Corevest Capital Management Pte. Ltd. Intergrain Terminals Limited (Singapore Branch)	Via Mat International (Singapore) Pte Ltd LSX Technology Pte. Ltd. LSX Development Pte. Ltd. Waterfront Chartering International Pte. Ltd. Intersanctuary Pte. Ltd. Palace Management Pte. Ltd. Hexcel Pacific Rim Glauer International Intergrain Terminals Limited

3. The present and past directorships (held in the five years preceding the date of this Prospectus) of each of our Executive Officers are set out below:

Name	Present Directorships	Past Directorships
Teo Choong Nan	Sam's Video & Photo Pte Ltd	Nil
Lian Poh Chey	Scorpio East Entertainment Sdn. Bhd.	Nil
Lim Kien Nam	Nil	Nil
Titus Ho Wing Lam	Nil	Nil
Tay Joo Heng	Nil	Nil

4. None of our Directors, Executive Officers or Controlling Shareholders:

- (a) had at any time during the last ten years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
- (b) had at any time during the last ten years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (c) has any unsatisfied judgment against him;
- (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty, which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;
- (f) had at any time during the last ten years, judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

- (i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or
 - (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or
- (k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

Notwithstanding the above, John Ho was involved in a civil suit with Omnistar Corporation Pte Ltd (“Omnistar”). Omnistar commenced legal action against John Ho in January 2003 for a breach of profit warranty provided by John Ho in relation to the net profit before tax to be attained by Golden Mandarin Organisation Pte Ltd (“GMO”) for the financial years ended 31 December 2001 and 31 December 2002. Prior to rejoining Scorpio East as a director in August 2003, John Ho was involved in the distribution of TVB serial programmes on video through GMO, which he had set up in 1999. Omnistar obtained Summary Judgment in June 2003 against John Ho and the parties thereafter entered into Deeds of Settlement in July 2003 in settlement of the legal suit. Pursuant to the terms of the Deeds of Settlement, John Ho had made full and final settlement of the agreed settlement sum, and Omnistar and John Ho lodged a Consent to Entry of Satisfaction in the High Court of the Republic of Singapore on 4 January 2005. The case is thus concluded.

5. Save as disclosed under “Service Agreements” on pages 103 and 104 of this Prospectus, there are no existing or proposed service contracts between our Directors and our Group.
6. Save as disclosed under “Directors, Management and Staff” on pages 97 and 99 of this Prospectus, none of our Directors and Executive Officers are related by blood or marriage to one another nor are they so related to any Substantial Shareholder of our Company.
7. No option to subscribe for shares in, or debentures of, our Group has been granted to, or was exercised by, any Director or Executive Officer within the last financial year.
8. No person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Group.
9. Save as disclosed under “Interested Person Transactions” on pages 93 and 94 of this Prospectus, none of our Directors or experts is interested, directly or indirectly, in the promotion of, or in any assets acquired or disposed of by, or leased to, our Group within the three years preceding the date of this Prospectus, or in any proposal for such acquisition or disposal or lease as aforesaid.
10. Save as disclosed under “Interested Person Transactions” on pages 93 and 94 of this Prospectus, no Director or Substantial Shareholder has any interest in any existing contract or arrangement that is significant in relation to the business of our Group.
11. None of our Directors or Substantial Shareholders or Associates of such Directors or Substantial Shareholders has any interest, direct or indirect, in any company carrying on the same business or dealing in similar products as our Group.

12. There is no shareholding qualification for Directors in the Articles of Association of our Company.
13. The interests of our Directors and Substantial Shareholders in our Shares at the date of this Prospectus before the Invitation and as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained under the provisions of the Companies Act and the Securities and Futures Act are set out on page 61 of this Prospectus.
14. No sum has been paid or has been agreed to be paid to any Director or to any firm in which a Director is a partner in cash or in shares or otherwise, by any person to induce him to become a Director in connection with the promotion or formation of our Group.

SHARE CAPITAL

15. As at the date of this Prospectus, there is only one class of shares in the capital of our Company. The rights and privileges attached to the Shares are stated in the Articles of Association of our Company. There are no founder, management or deferred shares. The Directors and Substantial Shareholders of our Company are not entitled to any different voting rights from the other Shareholders.
16. Save as disclosed below and under "Share Capital" on pages 57 and 58 of this Prospectus, there were no changes in the issued and paid-up share capital of our Company or our subsidiaries within the last three years preceding the Latest Practicable Date.

Company	Date of Issue	Number of shares issued	Issue price per share	Purpose of issue	Resultant issued share capital
Company	24 November 2004	2	\$1.00	Incorporation	\$2
	7 December 2005	3,472,085	\$1.00	Restructuring Exercise	\$3,472,087
Scorpio East	6 March 2003	25,000	\$1.00	Working Capital	\$603,000
	25 September 2003	57,000	\$1.00	Working Capital	\$660,000
	18 November 2003	100,000	\$1.00	Working Capital	\$760,000
	30 September 2004	90,000	\$1.00	Working Capital	\$850,000
SEM	22 December 2003	2	\$1.00	Incorporation	\$2
	16 February 2004	29,998	\$1.00	Working Capital	\$30,000
	30 March 2004	470,000	\$1.00	Working Capital	\$500,000
	30 April 2005	160,000	\$1.00	Working Capital	\$660,000
	19 May 2005	90,000	\$1.00	Working Capital	\$750,000
SEP	6 October 2004	1	\$1.00	Incorporation	\$1
SEP(HK)	5 January 2005	1	HK\$1	Incorporation	HK\$ 1
SESB	20 January 2005	2	RM1	Incorporation	RM2

17. Save as disclosed above, no shares in, or debentures of, our Group have been issued, or are proposed to be issued, as fully or partly paid for in cash or for a consideration other than cash, within the three years preceding the Latest Practicable Date.

MEMORANDUM AND ARTICLES OF ASSOCIATION

18. (a) Our Company is registered in Singapore with the Registrar of Companies and Businesses, and our Company's registration number is 200415164G. One of the main objects of our Company is to carry on the business of an investment holding company. Our objects can be found in Clause 3 of our Memorandum of Association which is available for inspection at our registered office in accordance with the paragraph under the heading "Documents Available for Inspection" on page 115 of this Prospectus. Further details are found in Appendix E of this Prospectus.

- (b) An extract of our Articles of Association providing for, *inter alia*, transferability of shares, directors' voting rights, borrowing powers of directors and dividend rights are set out in Appendix E on pages E-1 to E-18 of this Prospectus. The Articles of Association of our Company is available for inspection at our registered office in accordance with the paragraph under the heading "Documents Available for Inspection" on page 115 of this Prospectus.

BANK BORROWINGS AND WORKING CAPITAL

- 19. Save as disclosed under "Capitalisation and Indebtedness" on page 55 of this Prospectus, the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information and the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the Period from November 24, 2004 (Date of Incorporation) to April 30, 2005, our Group had as at the Latest Practicable Date, no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.
- 20. In the opinion of our Directors, there is no minimum amount which must be raised by the issue of the New Shares in order to provide for the following:
 - (a) the purchase price of any asset purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;
 - (b) estimated preliminary and issue expenses (including underwriting and placement commission and brokerage) for this Invitation payable by our Company;
 - (c) the repayment of any money borrowed by our Group in respect of any of the foregoing matters; and
 - (d) working capital.

Our Directors, having considered the repayment schedule of its outstanding debts, its available unutilised banking facilities, and its working capital and capital requirements, believe that the proceeds of the Invitation to be raised are adequate. Although no minimum amount must be raised by the Invitation in order to provide for the items set out above, the amount to be provided for those items is proposed to be provided out of proceeds of the Invitation and/or out of other sources of funding including banking facilities.

- 21. Our Directors are of the opinion that, as at the date of lodgement of this Prospectus, after taking into account the present banking facilities and the net proceeds from the Invitation, our Group has adequate working capital for its present requirements.

MATERIAL CONTRACTS

- 22. The following contracts not being contracts entered into in the ordinary course of business of our Group have been entered into by our Company or any of our subsidiaries within the two years preceding the date of this Prospectus and are or may be material:
 - (a) Letter agreement dated 1 July 2005 confirming the terms under which Ho Ah Huat acquired 33.3% of the issued and paid-up share capital of Infodisc Multimedia Manufacturing Pte Ltd from Scorpio East for an aggregate consideration of \$220,000;
 - (b) Agreement dated 19 July 2005 pursuant to which our Company acquired all of the issued and paid-up share capital of SEM that was held by Scorpio East for an aggregate consideration of \$478,495;
 - (c) Agreement dated 19 July 2005 pursuant to which our Company acquired the entire issued and paid-up share capital of SEP from Scorpio East for a nominal consideration of \$1;
 - (d) Restructuring agreement dated 19 July 2005 pursuant to which our Company acquired the entire issued and paid-up share capital of Scorpio East from the then shareholders of Scorpio East for an aggregate consideration of \$3,472,085;
 - (e) Receiving Bank Agreement dated 7 December 2005 between our Company and The Bank of East Asia, Limited pursuant to which the latter was appointed as the receiving bank in relation to the Invitation;

- (f) Agreement dated 7 March 2006 between our Company and CDP pursuant to which CDP agreed to act as central depository for our Company's securities for trades in the securities of our Company through the SGX-ST;
- (g) Management Agreement dated 7 March 2006 referred to on pages 29 and 30 of this Prospectus;
- (h) Underwriting Agreement dated 7 March 2006 referred to on pages 29 and 30 of this Prospectus; and
- (i) Placement Agreement dated 7 March 2006 referred to on pages 29 and 30 of this Prospectus.

LITIGATION

23. There are no legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had during the last 12 months before the date of lodgement of this Prospectus, a material effect on our Group's financial position or profitability.

MISCELLANEOUS

24. Save as disclosed under "Interests of Placement Agent, Underwriter or Manager" on page 96 of this Prospectus, our Company has no material relationship with the Manager, the Underwriter or the Placement Agent.
25. The nature of the business of our Group is stated on pages 66 to 74 of this Prospectus. At the date of this Prospectus, all the corporations listed below are, by virtue of Section 6 of the Companies Act, deemed to be related to our Company:

Subsidiaries

Scorpio East Entertainment Pte. Ltd.
Scorpio East Multimedia Pte. Ltd.
Scorpio East Pictures Pte. Ltd.
Scorpio East Pictures (H.K.) Limited
Scorpio East Entertainment Sdn. Bhd.

26. The time of opening of the Application List is set out on page 18 of this Prospectus.
27. The amount payable on application is \$0.21 for each Invitation Share. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years preceding the date of this Prospectus.
28. No property has been purchased or acquired or proposed to be purchased or acquired by our Group which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus other than property the contract for the purchase or acquisition whereof was entered into in the ordinary course of business of our Group, the contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
29. Application moneys received by our Company in respect of successful applications (including successful balloted applications which are subsequently rejected) will be placed in a separate non-interest bearing account with the Receiving Banker. In the ordinary course of business, the Receiving Banker will deploy these moneys in the interbank money market. All profits derived from the deployment of such moneys in the interbank money market will accrue to the Receiving Banker. Any refund of all or part of the application moneys to unsuccessful or partially successful applicants will be made without any interest or any share of such revenue or any other benefits arising therefrom.

30. The estimated amount of the expenses of this Invitation is approximately \$1.1 million, including the underwriting commission, placement commission, brokerage, management, audit, legal and consultancy fees, advertising and printing expenses, as well as fees payable to the SGX-ST, which will be borne by our Company. The breakdown of these estimated expenses is as follows:

	\$'000
Listing fee	10
Professional fees	712
Underwriting commission, placement commission and brokerage	156
Miscellaneous expenses	230
	<hr/>
Total estimated expenses of the Invitation	<u>1,108</u>

31. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the date of this Prospectus or is proposed or intended to be paid or given to any promoter at any time.
32. Save as disclosed under “Risk Factors” on pages 32 to 37 of this Prospectus, “Review of Past Performance” on pages 42 to 49 of this Prospectus and “Prospects and Future Plans” on pages 88 to 92 of this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks not mentioned elsewhere in the Prospectus which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
33. Save as disclosed under “Risk Factors” on pages 32 to 37 of this Prospectus, “Review of Past Performance” on pages 42 to 49 of this Prospectus, “Capitalisation and Indebtedness” on page 55 of this Prospectus, “Liquidity and Capital Resources” on pages 52 and 53 of this Prospectus and “Prospects and Future Plans” on pages 88 to 92 of this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:
- known trends or known demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
 - material commitments for capital expenditures;
 - unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
 - known trends or uncertainties that have had or that our Group reasonably expects to have a material favourable or unfavourable impact on revenues or operating income.
34. Details, including the name, address and professional qualifications (including membership in a professional body) of the auditors of our Company for the last three financial years ended 30 April 2005 are as follows:

Period	Name, membership and address	Professional body	Partner-in-charge/ Professional qualification
FY2003 and FY2004	P.K. Tiong & Co. Certified Public Accountants 371 Beach Road #19-06 Keypoint Singapore 199597	Institute of Certified Public Accountants of Singapore	Tiong Pin Kew Christine Certified Public Accountant
FY2005	Deloitte & Touche Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower 2 Singapore 068809	Institute of Certified Public Accountants of Singapore	Cheung Pui Yuen Certified Public Accountant

Our Directors currently have no intention of changing our Group's present Auditors or appointing joint auditors after the listing of our Company.

35. This Prospectus is dated 7 March 2006 and registered on 7 March 2006 by the Authority. No Shares will be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.
36. Save as disclosed under "Subsequent Events" on pages A-22 and A-23 of this Prospectus, our Directors are not aware of any event which has occurred since 30 April 2005 which may have a material effect on the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information and the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the Period from November 24, 2004 (Date of Incorporation) to April 30, 2005 as set out in Appendices A and B of this Prospectus.
37. Save as disclosed under "Risk Factors" on pages 32 to 37 of this Prospectus, "Intellectual Property" on page 77 of this Prospectus and "Our Licence Agreements" on pages 84 to 86 of this Prospectus, our business or profitability is not dependent on any patent or licence, industrial, commercial or financial contract (including a contract with a customer or supplier) or a new manufacturing process.

CONSENTS

38. The Auditors and Reporting Accountants have given and have not withdrawn their written consent to the issue of this Prospectus with the inclusion herein of the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information, the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the Period from November 24, 2004 (Date of Incorporation) to April 30, 2005 and the Audited Financial Statements of Scorpio East Entertainment Pte. Ltd. and Subsidiaries for the Year Ended April 30, 2005 in the form and context in which they appear in this Prospectus and references to their name in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

P.K. Tiong & Co. has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion herein of the Audited Financial Statements of Scorpio East Entertainment Pte. Ltd. for the Years Ended April 30, 2003 and April 30, 2004 in the form and context in which they appear in this Prospectus and references to their name in the form and context in which it appears in this Prospectus, and to act in such capacity in relation to this Prospectus.

39. Provenance Capital Pte. Ltd. has given and has not withdrawn its written consent to being named in this Prospectus as the Manager, and CIMB-GK Securities Pte. Ltd. has given and has not withdrawn its written consent to being named in this Prospectus as the Underwriter and Placement Agent.
40. Each of the Manager, the Underwriter, the Placement Agent, the Solicitors to the Invitation, the Share Registrar, the Receiving Bank and the Principal Banker do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus or any statement upon which a statement in this Prospectus is based, and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

41. Copies of the following documents may be inspected at our registered office at 6 Harper Road #02-01 Leong Huat Building Singapore 369674 during normal business hours for a period of six months from the date of this Prospectus:
 - (a) the Memorandum and Articles of Association of our Company;
 - (b) the Report of the Reporting Accountants in relation to the Proforma Consolidated Financial Information set out in Appendix A of this Prospectus;
 - (c) the Audited Financial Statements of Scorpio East Holdings Pte. Ltd. for the Period from November 24, 2004 (Date of Incorporation) to April 30, 2005 set out in Appendix B of this Prospectus;

- (d) the Audited Financial Statements of Scorpio East Entertainment Pte. Ltd. and Subsidiaries for the Year Ended April 30, 2005 set out in Appendix C of this Prospectus;
- (e) Audited Financial Statements of Scorpio East Entertainment Pte. Ltd. for the Years Ended April 30, 2003 and April 30, 2004 set out in Appendix D of this Prospectus;
- (f) Audited Financial Statements of Scorpio East Multimedia Pte. Ltd. and Scorpio East Pictures Pte. Ltd. for the financial periods ended April 30, 2005;
- (g) the material contracts referred to on pages 112 and 113 of this Prospectus;
- (h) the Service Agreements; and
- (i) the letters of consent referred to on page 115 of this Prospectus.

STATEMENT BY OUR DIRECTORS AND VENDORS

42. This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed are fair and accurate in all material respects as at the date of this Prospectus and there are no other facts the omission of which would make any statements herein misleading, and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group.

**REPORT OF THE REPORTING ACCOUNTANTS IN RELATION TO
THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

SCORPIO EAST HOLDINGS LTD.

**REPORT OF THE REPORTING ACCOUNTANTS
IN RELATION TO THE PRO FORMA
CONSOLIDATED FINANCIAL INFORMATION
YEAR ENDED 30 APRIL 2005**

Date: 7 March 2006

The Board of Directors
Scorpio East Holdings Ltd.
6 Harper Road #02-01
Leong Huat Building
Singapore 369674

Dear Sirs

REPORT OF THE REPORTING ACCOUNTANTS IN RELATION TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

This report has been prepared in accordance with the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2002 for inclusion in the Prospectus dated 7 March 2006 in connection with the invitation in respect of 24,800,000 New Shares and 3,800,000 Vendor Shares in the share capital of Scorpio East Holdings Ltd. (the "Company") comprising 2,860,000 offer shares of \$0.21 each by way of public offer and 25,740,000 placement shares at \$0.21 for each way of placement.

We report on the Pro Forma Group financial information of the Company and its subsidiaries ("the Pro Forma Group") as set out in this Appendix, which has been prepared, for illustrative purposes only and based on certain assumptions after making certain adjustments to show what:

- (i) the financial results of the Pro Forma Group for the financial years ended 30 April 2003, 2004 and 2005 ("FY2003, 2004 and 2005") would have been if the group structure as of the date of lodgement of the Preliminary Prospectus had been in place since 1 May 2002;
- (ii) the financial position of the Pro Forma Group as at 30 April 2005 would have been if the group structure as of the date of the lodgement of the Preliminary Prospectus had been in place since 1 May 2004; and
- (iii) the equity changes and cash flows for the financial year ended 30 April 2005 would have been if the group structure as of the date of the lodgement of the Preliminary Prospectus had been in place since 1 May 2004.

The Pro Forma Group financial information, because of their nature, may not give a true picture of the Pro Forma Group's actual financial position or results.

The Pro Forma Group financial information are the responsibility of the Directors of the Company. Our responsibility is to express an opinion on the Pro Forma Group financial information based on our work.

We carried out our procedures in accordance with Singapore Statements of Auditing Practice: SAP 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing Pro Forma Group financial information to the financial statements of the Company and the companies in the Pro Forma Group where applicable, considering the evidence supporting the adjustments and discussing the Pro Forma Group financial information with the Directors of the Company.

In our opinion,

- (a) the Pro Forma Group financial information has been properly prepared:
 - (i) in a manner consistent with both the format of the financial statements and the accounting policies of the Company which are prepared in accordance with Singapore Statement of Accounting Standards for FY2003 and with Singapore Financial Reporting Standards for FY2004 and FY2005; and
 - (ii) on the basis stated in Note 2 to this Pro Forma Group financial information; and
- (b) each material adjustment made to the information used in the preparation of the Pro Forma Group financial information is appropriate for the purpose of preparing such financial information.

Deloitte & Touche
Certified Public Accountants
Singapore

Cheung Pui Yuen
Partner

SCORPIO EAST HOLDINGS LTD.

PRO FORMA GROUP BALANCE SHEET As at 30 April 2005

	Note	Pro Forma Group As at 30 April 2005 \$'000
ASSETS		
Current assets:		
Cash and bank balances		1,274
Trade receivables		4,277
Other receivables and prepayments	6	941
Inventories	7	480
Deferred expenditure	8	133
Total current assets		<u>7,105</u>
Non-current assets:		
Investment in subsidiaries	9	—
Other investment	10	200
Plant and equipment	11	1,214
Total non-current assets		<u>1,414</u>
Total assets		<u><u>8,519</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Trade payables		1,891
Other payables	12	1,210
Income tax payable		796
Current portion of finance leases	13	159
Total current liabilities		<u>4,056</u>
Non-current liability:		
Finance leases	13	838
Minority interests		<u>153</u>
Shareholders' equity	14	<u>3,472</u>
Total liabilities and shareholders' equity		<u><u>8,519</u></u>

See accompanying notes to the financial statements.

SCORPIO EAST HOLDINGS LTD.

PRO FORMA GROUP PROFIT AND LOSS STATEMENT

Years ended 30 April 2003, 2004 and 2005

	Note	Pro Forma Group		
		Year ended 30 April 2003 \$'000	Year ended 30 April 2004 \$'000	Year ended 30 April 2005 \$'000
Revenue	15	1,493	15,913	16,196
Cost of sales		(1,511)	(12,377)	(9,667)
Gross (loss) profit		(18)	3,536	6,529
Distribution costs		(58)	(370)	(379)
Administrative expenses		(418)	(1,857)	(2,579)
Other operating expenses		(75)	(216)	(246)
(Loss) Profit from operations	16	(569)	1,093	3,325
Finance cost	17	(5)	(32)	(30)
(Loss) Profit before income tax		(574)	1,061	3,295
Income tax	18	—	(140)	(743)
(Loss) Profit before minority interests		(574)	921	2,552
Minority interests		—	—	7
Net (loss) profit attributable to the Pro Forma Group		(574)	921	2,559
(Loss) Earnings per share (in cents)	19	(0.99)	1.59	4.42

See accompanying notes to the financial statements.

SCORPIO EAST HOLDINGS LTD.

PRO FORMA GROUP STATEMENT OF CHANGES IN EQUITY Year ended 30 April 2005

	Issued capital \$'000	Accumulated profits \$'000	Total \$'000
Balance as at 30 April 2004	850	63	913
Profit for the year	—	2,559	2,559
Balance as at 30 April 2005	850	2,622	3,472
Pro forma adjustments on Restructuring exercise	2,622	(2,622)	—
Balance as at 30 April 2005	<u>3,472</u>	<u>—</u>	<u>3,472</u>

See accompanying notes to the financial statements.

SCORPIO EAST HOLDINGS LTD.

PRO FORMA GROUP STATEMENT OF CASH FLOW

Year ended 30 April 2005

	Pro Forma Group Year ended April 30, 2005 \$'000
Cash flows from operating activities:	
Profit before income tax	3,295
Adjustments for:	
Depreciation expense	435
Interest expense	30
Operating profit before working capital changes	<u>3,760</u>
Trade receivables	(2,395)
Other receivables and prepayments	251
Inventories	(340)
Deferred expenditure	(133)
Trade payables	(79)
Other payables	(81)
Cash generated from operations	<u>983</u>
Interest paid	(30)
Income tax paid	(86)
Net cash generated from operating activities	<u>867</u>
Cash flows from investing activity:	
Purchase of plant and equipment (Note A)	(297)
Cash flows from financing activity:	
Decrease in finance leases	(160)
Net increase in cash and bank balances	410
Cash and bank balances at beginning of year	<u>864</u>
Cash and bank balances at end of year	<u><u>1,274</u></u>

Notes to the Pro Forma Group statement of cash flow:

A. Plant and equipment

During the year, the Group acquired plant and equipment with an aggregate cost of \$833,000 of which \$536,000 was acquired under a finance lease arrangement. Cash payment of \$297,000 was made to purchase plant and equipment.

See accompanying notes to the financial statements.

SCORPIO EAST HOLDINGS LTD.

NOTES TO STATEMENT OF PRO FORMA GROUP FINANCIAL INFORMATION 30 APRIL 2005

1 GENERAL

The Company is incorporated in the Republic of Singapore with its principal place of business and registered office at 6 Harper Road, #02-01 Leong Huat Building, Singapore 369674.

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiaries are described in Note 9.

The Pro Forma Group financial information were compiled based on a Restructuring Exercise (the "Restructuring Exercise") which was made effective from 1 May 2005 and comprised, among other matters, the Company's acquisition of the entire issued and ordinary share capital of its subsidiaries.

Restructuring Exercise

On 24 November 2004, the Company was incorporated in Singapore as Scorpio East Holdings Pte. Ltd. with an authorised share capital of \$30,000,000 divided into 30,000,000 ordinary shares of par value \$1 each and an issued and paid-up share capital of \$2 divided into 2 ordinary shares of par value \$1 each. On 19 December 2005, the Company was converted into a public listed company and changed its name to Scorpio East Holdings Ltd..

For the purpose of the Company's listing on the Singapore Exchange Securities Trading Limited, the Company and its subsidiaries (the "Group" or "Pro Forma Group") undertook the Restructuring Exercise which comprised the following:

- (i) On 5 January 2005 and 20 January 2005, the Company incorporated Scorpio East Pictures (H.K.) Limited and Scorpio East Entertainment Sdn. Bhd. as wholly-owned subsidiaries in Hong Kong and Malaysia respectively.
- (ii) Pursuant to an agreement dated 19 July 2005, the Company acquired all of the issued and paid-up share capital of Scorpio East Multimedia Pte. Ltd. that was held by Scorpio East Entertainment Pte. Ltd., comprising 500,000 ordinary shares of \$1 each in the capital of Scorpio East Multimedia Pte. Ltd., for an aggregate consideration of \$478,495. The consideration was based on the audited net asset value of Scorpio East Multimedia Pte. Ltd. of \$631,614, and the total issued share capital of \$660,000 comprising 660,000 ordinary shares of \$1 each, as at 30 April 2005. The shares were transferred with all rights, benefits and interests in and to the shares as at 1 May 2005 and thereafter. The aggregate consideration remained as an amount owing by the Company to Scorpio East Entertainment Pte. Ltd.
- (iii) Pursuant to an agreement dated 19 July 2005, the Company acquired the entire issued and paid-up share capital of Scorpio East Pictures Pte. Ltd. from Scorpio East Entertainment Pte. Ltd., comprising one ordinary share of \$1 each in the capital of Scorpio East Pictures Pte. Ltd. for a nominal consideration of \$1. The consideration was based on nominal consideration as the audited net asset value of Scorpio East Pictures Pte. Ltd. was negative in the amount of \$1,679 as at 30 April 2005. The shares were transferred with all rights, benefits and interests in and to the shares as at 1 May 2005 and thereafter. The nominal consideration remained as an amount owing by our Company to Scorpio East Entertainment Pte. Ltd.

SCORPIO EAST HOLDINGS LTD.

1 GENERAL (*cont'd*)

- (iv) Pursuant to a Restructuring Agreement dated 19 July 2005, the Company acquired the entire issued and paid-up share capital of Scorpio East Entertainment Pte. Ltd., comprising 850,000 ordinary shares of \$1 each from the then existing shareholders of Scorpio East Entertainment Pte. Ltd. ("Selling Shareholders") for an aggregate consideration of \$3,472,085. The consideration was based on the audited net asset value of Scorpio East Entertainment Pte. Ltd. of \$3,472,087 as at 30 April 2005, and was satisfied by the allotment and issue of 3,472,085 ordinary shares of \$1 each fully paid at par in the capital of the Company to the Selling Shareholders, after taking into consideration the 1 share each in the capital of the Company.

Under the Restructuring Agreement, the shares were transferred with all rights, benefits and interests in and to the shares as at 1 May 2005 and thereafter.

Upon the completion of the Restructuring Exercise, the Company became the holding company of Scorpio East Entertainment Pte. Ltd., Scorpio East Multimedia Pte. Ltd., Scorpio East Pictures Pte. Ltd., Scorpio East Pictures (H.K.) Limited and Scorpio East Entertainment Sdn. Bhd.

The Pro Forma Group financial information set out in this report is expressed in Singapore dollars, which is the measurement currency of the Company. The objective of the Pro Forma Group financial information of the Group is to show what the historical information might have been had the Group existed at an earlier date and had the above Pro Forma Group structure has been in existence throughout the period or since the respective dates of incorporation of the companies in the Pro Forma Group. However, the Pro Forma Group financial information is not necessarily indicative of the results of the operations or the related effects on the financial position that would have been attained had the abovementioned Group actually existed earlier.

The Pro Forma Group financial information is compiled based on the following sources:

- (a) audited consolidated financial statements of Scorpio East Entertainment Pte. Ltd. and Subsidiaries prepared under Singapore Statements of Accounting Standards for financial year ended 30 April 2003 and Singapore Financial Reporting Standards for the financial years ended 30 April 2004 and 30 April 2005.
- (b) audited financial statements of Scorpio East Holdings Pte. Ltd. prepared under Singapore Financial Reporting Standards for the financial period from 24 November 2004 (date of incorporation) to 30 April 2005.
- (c) unaudited management accounts of Scorpio East Pictures (H.K.) Limited for the financial period from 5 January 2005 (date of incorporation) to 30 April 2005.
- (d) unaudited management accounts of Scorpio East Entertainment Sdn. Bhd. for the financial period from 20 January 2005 (date of incorporation) to 30 April 2005.

Scorpio East Holdings Pte. Ltd., Scorpio East Pictures (H.K.) Limited and Scorpio East Entertainment Sdn. Bhd. were inactive since the date of incorporation to 30 April 2005.

Because of the nature of such Pro Forma Group financial information, they may not necessary give a true picture of the Group's actual financial position or results.

All material inter-company transactions and balances have been eliminated in the preparation of the Pro Forma Group Profit and Loss Statement and the Pro Forma Group Balance Sheet.

The Pro Forma Group financial information for the years ended 30 April 2003, 2004 and 2005 were authorised for issue by the Board of Directors on 17 January 2006.

SCORPIO EAST HOLDINGS LTD.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to the accounting policies of the Company and its subsidiaries during the financial years ended 30 April 2003, 2004 and 2005. The accounting policies of the Pro Forma Group are as follows:

BASIS OF ACCOUNTING — The financial statements for the financial years ended 30 April 2003, 2004 and 2005 are prepared in accordance with the historical cost convention, and are drawn up in accordance with the Singapore Statements of Accounting Standards for FY2003 and the Singapore Financial Reporting Standards for FY2004 and FY2005.

The financial statements set out in this report have been prepared in Singapore Dollar (“\$”), since this is the measurement currency in which the majority of the Pro Forma Group’s transactions are denominated.

BASIS OF CONSOLIDATION — The unaudited Pro Forma financial information are prepared for illustrative purposes only. These are prepared on the basis detailed in Note 1 above.

The consolidated financial information includes the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to April 30 each year. Control is achieved when the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring the accounting policies used in line with those used by other members of the group. All significant intercompany transactions and balances within the Pro Forma Group are eliminated on consolidation.

In the Company’s financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

FINANCIAL ASSETS — Financial assets consist of cash and bank balances, trade and other receivables and other investment. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. The accounting policy for other investment is described below. Cash and bank balances are stated at their nominal values.

FINANCIAL LIABILITIES AND EQUITY — Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include finance lease obligations, trade and other payables.

The accounting policy adopted for finance lease obligations is outlined below.

Finance costs are accounted for on an accrual basis (effective yield method) and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Dividends on ordinary shares are recognised in shareholders’ equity in the period in which they are declared.

Trade and other payables are stated at their nominal value.

Equity instruments are recorded at the fair value of the consideration received, net of direct issue costs.

SCORPIO EAST HOLDINGS LTD.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVENTORIES — Inventories are measured at the lower of cost (FIFO method) and net realisable value. Cost includes all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

PLANT AND EQUIPMENT — Plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives, using the straight-line method, on the following bases:

Air-conditioner, video recorders and renovation	—	3 years
Furniture and fittings	—	3 years
Office equipment	—	3 years
Motor vehicles	—	5 years

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

OTHER INVESTMENTS — Club membership is stated at cost less any impairment in net recoverable value.

DEFERRED EXPENDITURE — This represents portion of the license costs of movies incurred before the release of the movies on DVD media. The license costs are charged to the profit and loss statement when the movies are released on DVD media.

GOODWILL — Goodwill arising on consolidation represents the excess of the cost of acquisition over the fair value of the Group's share of net assets of the acquired subsidiaries at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

NEGATIVE GOODWILL — Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is presented as the same balance sheet classification as goodwill. To the extent that the negative goodwill relates to expectations of future losses and expenses that can be reliably measured, but do not represent identifiable liabilities, the portion of negative goodwill is recognised in the profit and loss statement when the future losses and expenses are incurred. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss statement over the remaining weighted average useful life of those assets. Negative goodwill in excess of the fair value of those assets is recognised in the profit and loss statement immediately.

SCORPIO EAST HOLDINGS LTD.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

IMPAIRMENT OF ASSETS — At each balance sheet date, the Pro Forma Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

PROVISIONS — Provisions are recognised when the Pro Forma Group has a present obligation as a result of a past event where it is probable that the obligation will result in an outflow of economic benefits that can be reasonably estimated.

LEASES — Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Pro Forma Group at their fair value or, if lower, at the present value of the minimum lease payments, determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Pro Forma Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

REVENUE RECOGNITION — Revenue from grant of sub-distribution rights are recognised in accordance with the substance of the agreement, on a straight line basis over the life of the agreement. Revenue from the assignment of distribution rights and sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably. Revenue from the rendering of services that are of a short duration is recognised when the services are completed.

RETIREMENT BENEFIT COSTS — Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund) are charged as an expense when incurred.

EMPLOYEE LEAVE ENTITLEMENT — Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

SCORPIO EAST HOLDINGS LTD.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

INCOME TAX — Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

FOREIGN CURRENCY TRANSACTIONS — Transactions in foreign currencies are recorded in Singapore Dollar at the rates ruling at the date of the transactions. At each balance sheet date, recorded monetary balances are denominated in foreign currencies are recorded at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

3 MATERIAL ADJUSTMENTS

There are no material adjustments made to the information used in the preparation of the Pro Forma Group financial information other than those disclosed in the Statement of Changes in Equity.

4 FINANCIAL RISKS AND MANAGEMENT

The Pro Forma Group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the group.

(i) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Pro Forma Group. The Pro Forma Group has adopted procedures in extending credit terms to customers and in monitoring credit risk. The credit policy used clearly defines the guidelines on extending credit terms to customers, including an assessment and valuation of customers' credit reliability.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets stated in the balance sheet.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the group's total credit exposure.

As at 30 April 2005, 83.1% (2004: 72.6%) of trade receivable balance amounting to \$3,553,242 (2004: \$1,366,852) relates to 3 major debtors.

(ii) Interest Rate Risk

The Pro Forma Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposures are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

SCORPIO EAST HOLDINGS LTD.

4 FINANCIAL RISKS AND MANAGEMENT (*cont'd*)

(iii) Foreign Currency Risk

The group does not transact in financial derivatives to hedge its exposure to foreign currency risk. It is the group's policy not to trade in derivative contracts.

(iv) Liquidity Risk

The group maintains and monitors a level of cash deemed adequate by management at all times to finance its obligations as and when they fall due.

(v) Fair Value of Financial Assets and Financial Liabilities

The carrying values of financial assets and liabilities reported in the balance sheet approximate the fair values of those assets and liabilities.

5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decision.

Some of the transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and without fixed repayment terms.

Significant related party transactions, other than those disclosed elsewhere in the notes to profit and loss statement:

	Pro Forma Group		
	Year ended 30 April 2003 \$'000	Year ended 30 April 2004 \$'000	Year ended 30 April 2005 \$'000
Purchases of goods from Infodisc Multimedia Manufacturing Pte Ltd	77	888	298
Professional expenses	5	7	—

6 OTHER RECEIVABLES AND PREPAYMENTS

	Pro Forma Group As at 30 April 2005 \$'000
Deposits	499
Prepayments	325
Others	117
Total	941

SCORPIO EAST HOLDINGS LTD.

7 INVENTORIES

	Pro Forma Group
	As at
	30 April 2005
	\$'000
Finished goods, at cost	480

8 DEFERRED EXPENDITURE

	Pro Forma Group
	As at
	30 April 2005
	\$'000
License, at cost	133

9 INVESTMENT IN SUBSIDIARIES

	Pro Forma Group
	As at
	30 April 2005
	\$'000
Unquoted equity shares, at cost	—

Details of the subsidiaries of the Pro Forma Group are set out below:

Name of subsidiaries	Date of incorporation	Principal activities	Cost of investment \$'000	Country of incorporation and operation	Issued and paid up capital \$'000	Effective percentage of equity held by the Pro Forma Group %
Held by the Company						
Scorpio East Entertainment Pte. Ltd. ^{(1) (5)}	17 February 1994	Distribution of video programmes for home entertainment.	850	Singapore	850	100
Scorpio East Multimedia Pte. Ltd. ^{(2) (5)}	22 December 2003	VCD and DVD replicating business.	500	Singapore	660	75.7
Scorpio East Pictures Pte. Ltd. ^{(2) (5)}	6 October 2004	Film production investment, provision of producer services, acquisition and distribution of film rights.	(a)	Singapore	(d)	100
Scorpio East Pictures (H.K.) Limited ⁽³⁾	5 January 2005	Acquisition and distribution of film rights from Greater China region for distribution in the South East Asian markets.	(b)	Hong Kong	(e)	100
Scorpio East Entertainment Sdn. Bhd. ⁽⁴⁾	20 January 2005	Acquisition and distribution of film rights within the territory of Malaysia.	(c)	Malaysia	(f)	100

SCORPIO EAST HOLDINGS LTD.

9 INVESTMENT IN SUBSIDIARIES (cont'd)

Note on cost and issued and paid up capital:

- (a) Cost of investment amounted to \$1.
- (b) Cost of investment amounted to \$0.21 (equivalent to HK\$1).
- (c) Cost of investment amounted to \$1 (equivalent to RM2).
- (d) Issued and paid up capital of 1 ordinary share of \$1 each.
- (e) Issued and paid up capital of 1 ordinary share of HK\$1 each.
- (f) Issued and paid up capital of 2 ordinary shares of RM1 each.

Note on auditors:

- (1) The audited financial statements of Scorpio East Entertainment Pte. Ltd. for the financial years ended 30 April 2003 and 2004 were audited by P.K. Tiong & Co., Certified Public Accountants. The audited financial statements for the financial year ended 30 April 2005 were audited by Deloitte & Touche, Singapore.

For the purpose of this compilation report, Deloitte & Touche, Singapore has performed a review on the audited financial statements of the Scorpio East Entertainment Pte. Ltd. for the financial years ended 30 April 2003 and 2004 that have been used in preparing the Pro Forma Group financial information and a review of the audit working papers of P.K. Tiong & Co, a firm of certified public accountants in Singapore located at 371 Beach Road #19-06, Keypoint, Singapore 199597.

- (2) The audited financial statements of the Scorpio East Multimedia Pte. Ltd., and Scorpio East Pictures Pte. Ltd. for the financial period ended 30 April 2005 were audited by Deloitte & Touche, Singapore.
- (3) The management accounts of Scorpio East Pictures (H.K.) Limited from 5 January 2005 (date of incorporation) to 30 April 2005 were not audited as the Company was inactive during this period.
- (4) The management accounts of Scorpio East Entertainment Sdn. Bhd. from 20 January 2005 (date of incorporation) to 30 April 2005 were not audited as the Company was inactive during this period.
- (5) There were no audit qualifications, modifications or disclaimers made to the audited financial statements of the companies in the Pro Forma Group in the financial years covered under this report.

10 OTHER INVESTMENT

	Pro Forma Group As at 30 April 2005 \$'000
Transferable club memberships, at cost	200

SCORPIO EAST HOLDINGS LTD.

11 PLANT AND EQUIPMENT

	Air-con video recorder and renovation \$'000	Furniture and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
<u>Cost:</u>					
At 30 April 2004	135	50	119	781	1,085
Additions	94	28	41	670	833
At 30 April 2005	229	78	160	1,451	1,918
<u>Accumulated depreciation:</u>					
At 30 April 2004	39	21	41	168	269
Depreciation	72	24	49	290	435
At 30 April 2005	111	45	90	458	704
Depreciation for last year	37	14	36	192	279
<u>Carrying amount:</u>					
At 30 April 2005	118	33	70	993	1,214
At 30 April 2004	96	29	78	613	816

Motor vehicles with a net book value of \$993,000 (FY2004: \$613,000) are under finance lease arrangements.

12 OTHER PAYABLES

	Pro Forma Group As at 30 April 2005 \$'000
Accruals	311
Deposits received	847
Others	52
Total	1,210

SCORPIO EAST HOLDINGS LTD.

13 OBLIGATION UNDER FINANCE LEASES

	Pro Forma Group As at 30 April 2005	
	Minimum lease payment \$'000	Present value of minimum lease payment \$'000
Amounts payable under finance lease:		
Within one year	189	159
In the second to fifth years inclusive	756	637
After five years	245	201
	<hr/>	<hr/>
Less: Future finance charges	1,190	997
Present value of lease obligations	(193)	—
	<hr/>	<hr/>
Less: Amount due for settlement within 12 months	997	997
Amount due for settlement after 12 months		(159)
	<hr/>	<hr/>
		838
		<hr/>

The finance leases bear interest ranged from 2.20% to 2.78% (FY2004: 2.20% to 2.78%) per annum.

14 ISSUED CAPITAL

	Pro Forma Group	
	As at 30 April 2005 No. of shares	As at 30 April 2005 \$'000
Authorised capital:		
At date of incorporation and end of year	30,000,000	30,000
	<hr/>	<hr/>
Issued capital:		
At date of incorporation	2	*
Pro Forma issue of ordinary shares of \$0.06 each at par to acquire the subsidiaries pursuant to Restructuring Exercise	3,472,085	3,472
	<hr/>	<hr/>
	3,472,087	3,472
	<hr/>	<hr/>
Pro Forma consolidation of 3 ordinary shares of \$1 each into 1 ordinary share of \$3 each	1,157,362	3,472
	<hr/>	<hr/>
Pro Forma sub-division of 1 ordinary share of \$3 each to 50 ordinary shares of \$0.06 each	57,868,117	3,472
	<hr/>	<hr/>

* represents \$2

SCORPIO EAST HOLDINGS LTD.

15 REVENUE

	Pro Forma Group		
	Year ended 30 April 2003 \$'000	Year ended 30 April 2004 \$'000	Year ended 30 April 2005 \$'000
Sale of goods	1,430	10,071	9,241
Rendering of services	—	—	1
Grant of sub-distribution rights	—	5,384	5,385
Assignment of sub-distribution rights	63	458	1,569
Total	<u>1,493</u>	<u>15,913</u>	<u>16,196</u>

16 (LOSS) PROFIT FROM OPERATIONS

	Pro Forma Group		
	As at 30 April 2003	As at 30 April 2004	As at 30 April 2005
Number of employees at end of year	<u>20</u>	<u>35</u>	<u>41</u>

	Pro Forma Group		
	Year ended 30 April 2003 \$'000	Year ended 30 April 2004 \$'000	Year ended 30 April 2005 \$'000
Directors' fees:			
Directors of subsidiaries	40	90	85
Directors' remuneration:			
Directors of subsidiaries	20	448	681
Staff costs (including directors' remuneration)	260	1,286	1,761
Cost of defined contribution plans included in staff costs	27	126	156
Loss on disposal of plant and equipment	<u>—</u>	<u>17</u>	<u>—</u>

17 FINANCE COST

	Pro Forma Group		
	Year ended 30 April 2003 \$'000	Year ended 30 April 2004 \$'000	Year ended 30 April 2005 \$'000
Interest expense to non-related companies	<u>5</u>	<u>32</u>	<u>30</u>

SCORPIO EAST HOLDINGS LTD.

18 INCOME TAX

	Pro Forma Group		
	Year ended	Year ended	Year ended
	30 April	30 April	30 April
	2003	2004	2005
	\$'000	\$'000	\$'000
Current	—	139	743
Underprovision in prior years — current	—	1	—
Total income tax expense	—	140	743

- (a) The charge for the year can be reconciled to the (loss) profit per Pro Forma Group results as follows:

	Pro Forma Group		
	Year ended	Year ended	Year ended
	30 April	30 April	30 April
	2003	2004	2005
	\$'000	\$'000	\$'000
Tax (benefits) expense at applicable income tax rate	(126)	212	659
Non-allowable items	16	55	87
Tax benefits not recognised	110	—	6
Change in tax rate	—	(10)	—
Prior year tax loss utilised (previously not recognised)	—	(100)	—
Tax exemption	—	(11)	(11)
Others	—	(7)	2
Underprovision in prior years	—	1	—
Total income tax expense	—	140	743
Applicable income tax rate (%)	22.00	20.00	20.00
Effective tax rate for the year (%)	—	13.20	22.55

- (b) The Pro Forma Group has tax loss carryforwards available for offsetting against future taxable income as follows:

	Pro Forma Group		
	Year ended	Year ended	Year ended
	30 April	30 April	30 April
	2003	2004	2005
	\$'000	\$'000	\$'000
Amount at beginning of year	—	500	—
Amount in current year	500	(500)	—
Amount at end of year	500	—	—
Deferred tax benefits on above not recognised	110	—	—

SCORPIO EAST HOLDINGS LTD.

19 (LOSS) EARNINGS PER SHARE

(Loss) Earnings per share for the financial years ended 30 April 2003, 2004 and 2005 have been calculated based on the (loss) profit attributable to the shareholders of the Company and on the basis that at the end of each financial year, the issued share capital of the Company comprised 57,868,117 ordinary shares of \$0.06 each which represents the pre-invitation share capital of the Company.

20 CAPITAL EXPENDITURE COMMITMENTS

	Pro Forma Group As at 30 April 2005 \$'000
Estimated amounts committed for future capital expenditure, but not provided for in the financial statements	1,961

21 OPERATING LEASE COMMITMENTS

	Pro Forma Group As at 30 April 2005 \$'000
Minimum lease payments under operating leases included in the profit and loss statement	153

At the balance sheet date, commitments in respect of non-cancellable operating leases for rental of office premises and warehouses were as follows:

	Pro Forma Group As at 30 April 2005 \$'000
Future minimum lease payments payable:	
Within one year	249
In the second to fifth years inclusive	148
Total	397

22 CONTINGENT LIABILITIES

	Pro Forma Group As at 30 April 2005 \$'000
Guarantees (unsecured)	925
Letter of credit (secured by the machine financed)	178
Total	1,103

SCORPIO EAST HOLDINGS LTD.

23 FINANCIAL INFORMATION BY SEGMENTS

For management purposes, the Pro Forma Group is currently organised into one segment. This segment is primarily engaged in providing film and video distribution. This division is the basis on which the Pro Forma Group reports its primary segment information.

Geographic segments

The following table provides an analysis of the Pro Forma Group revenue by geographical market which is analysed based on the billing address of each individual customer:–

	Pro Forma Group		
	Year ended 30 April 2003 \$'000	Year ended 30 April 2004 \$'000	Year ended 30 April 2005 \$'000
Singapore	1,430	15,437	13,940
Malaysia	63	351	1,997
Others	—	125	259
	<u>1,493</u>	<u>15,913</u>	<u>16,196</u>

24 DIVIDENDS

No dividends has been paid or declared or recommended by any company in the Pro Forma Group for the financial years ended 30 April 2003, 2004 and 2005.

25 LITIGATION

There are no legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had during the last 12 months before the date of this Prospectus, a material effect on the Pro Forma Group's financial position or profitability.

26 AUDITED FINANCIAL STATEMENTS

The financial statements of the Company from 24 November 2004 (date of incorporation) to 30 April 2005 were audited by Deloitte & Touche, Singapore. No audited financial statements of the subsidiaries in the Pro Forma Group have been prepared for any period subsequent to 30 April 2005.

27 SUBSEQUENT EVENTS

At an extraordinary general meeting held on 7 December 2005, the shareholders approved, inter alia, the following:

- (i) the consolidation of 3 ordinary shares of \$1.00 each in the authorised and issued share capital into one ordinary share of \$3.00 each;
- (ii) the sub-division of 1 ordinary share of \$3.00 each in the authorised and issued share capital into 50 ordinary shares of \$0.06 each;
- (iii) the conversion of the Company into a public limited company and the consequential change of name to "Scorpio East Holdings Ltd.";
- (iv) the adoption of a new set of Articles of Association;

SCORPIO EAST HOLDINGS LTD.

27 SUBSEQUENT EVENTS (*cont'd*)

- (v) the issue of the New Shares pursuant to the Invitation which when fully paid, issued and allotted, will rank pari passu in all respects with the existing issued shares of the Company; and
- (vi) the authorisation for the Directors, pursuant to Section 161 of the Companies Act and the Articles of Association, to allot and issue Shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares and convertible securities which may be issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company, of which the aggregate number of Shares and convertible securities which may be issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20% of the issued share capital of the Company (the percentage of issued share capital being based on the post-Invitation issued share capital of the Company after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by our Company in general meeting, such authority shall continue in force until the conclusion of the next annual general meeting of the Company or on the date by which the next annual general meeting is required by law to be held, whichever is earlier.

**AUDITED FINANCIAL STATEMENTS OF SCORPIO EAST HOLDINGS PTE. LTD.
FOR THE PERIOD FROM NOVEMBER 24, 2004 (DATE OF INCORPORATION)
TO APRIL 30, 2005**

SCORPIO EAST HOLDINGS PTE. LTD.

(Registration No. 200415164G)

**REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
PERIOD FROM NOVEMBER 24, 2004
(DATE OF INCORPORATION)
TO APRIL 30, 2005**

SCORPIO EAST HOLDINGS PTE. LTD.

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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SCORPIO EAST HOLDINGS PTE. LTD.

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the financial period ended April 30, 2005. The financial period covers the period since incorporation on November 24, 2004 to April 30, 2005.

1 DIRECTORS

The directors of the company in office at the date of this report is:

- Ho Ah Huat (Appointed on November 24, 2004)
- Lian Lee Lee (Appointed on November 24, 2004)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial period nor at any time during the financial period did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debenture of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

Scorpio East Holdings Pte. Ltd.	At beginning of year or date of appointment, if later	At end of year
	Ordinary share of \$1 each	
Ho Ah Huat	1	1
Lian Lee Lee	1	1

By virtue of Section 7 of the Singapore Companies Act, the above directors with shareholdings are deemed to have an interest in the company and in all the related corporations of the company.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the date of incorporation, the directors of the company have received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the directors or with a firm of which they are a member, or with a company in which they have a substantial financial interest except that the directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 OPTION TO TAKE UP UNISSUED SHARES

During the financial period, no option to take up unissued shares of the company was granted.

6 OPTION EXERCISED

During the financial period, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

7 UNISSUED SHARES UNDER OPTION

At the end of the financial period, there were no unissued shares of the company under option.

8 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

.....
Ho Ah Huat

.....
Lian Lee Lee

May 9, 2005

AUDITORS' REPORT TO THE MEMBERS OF SCORPIO EAST HOLDINGS PTE. LTD.

We have audited the financial statements of Scorpio East Holdings Pte. Ltd. set out on pages 4 to 9 for the period from November 24, 2004 (date of incorporation) to April 30, 2005. These financial statements are the responsibility of the company's director. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- a) the financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at April 30, 2005 and of the results, changes in equity and cash flows of the company for the period from November 24, 2004 (date of incorporation) to April 30, 2005; and
- b) the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche
Certified Public Accountants

Singapore
May 9, 2005

SCORPIO EAST HOLDINGS PTE. LTD.

BALANCE SHEET
April 30, 2005

	Note	2005
		\$
<u>ASSET</u>		
Current asset:		
Cash on hand		1
		<hr/>
Non-current asset:		
Investment in subsidiaries		1
		<hr/>
Total assets		2
		<hr/> <hr/>
<u>EQUITY</u>		
Capital:		
Issued capital	5	2
		<hr/> <hr/>

See accompanying notes to financial statements.

SCORPIO EAST HOLDINGS PTE. LTD.

PROFIT AND LOSS STATEMENT
Period from November 24, 2004 (date of incorporation)
to April 30, 2005

	Note	2005
		\$
Revenue		—
Cost of sales and operating expenses		—
		<hr/>
Profit from operations		—
Income tax	7	—
		<hr/>
Net profit for the period		—
		<hr/> <hr/>

See accompanying notes to financial statements.

SCORPIO EAST HOLDINGS PTE. LTD.

STATEMENTS OF CHANGES IN EQUITY
Period from November 24, 2004 (date of incorporation)
to April 30, 2005

	Issued capital	Accumulated profits	Total
	\$	\$	\$
Balance at November 24, 2004 (date of incorporation) *	2	—	2
Net profit for the period	—	—	—
Balance at April 30, 2005	<u>2</u>	<u>—</u>	<u>2</u>

* On November 24, 2004, the company issued 2 ordinary shares of \$1 each to its subscribers at par for cash.

See accompanying notes to financial statements.

SCORPIO EAST HOLDINGS PTE. LTD.

CASH FLOW STATEMENT
Period from November 24, 2004 (date of incorporation)
to April 30, 2005

	2005
	\$
Cash flow from operating activity:	
Profit before income tax	—
Net change in cash	—
Cash at date of incorporation	1
	<hr/>
Cash at end of period	1
	<hr/> <hr/>

See accompanying notes to financial statements.

SCORPIO EAST HOLDINGS PTE. LTD.

NOTES TO FINANCIAL STATEMENTS

April 30, 2005

1 GENERAL

The company (Registration No. 200415164G) is incorporated in the Republic of Singapore with its principal place of business and registered office at 6 Harper Road, #02-01 Leong Huat Building, Singapore 369674. The financial statements are expressed in Singapore dollars.

The principal activity of the company is that of investment holding.

The principal activities of its subsidiaries are described in Note 4 to the financial statements.

The financial statements of the company for the period ended April 30, 2005 were authorised for issue by the Board of Directors on May 9, 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING — The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards.

INCOME TAX — Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profits.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the assets are realised or the liabilities are settled. Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

3 FINANCIAL RISKS AND MANAGEMENT

The company has limited credit, interest rate and liquidity risks and will seek financial support from its shareholders as and when required. The company has not entered into any derivative transactions throughout the period under review.

4 INVESTMENT IN SUBSIDIARIES

	2005
	\$
Unquoted equity shares, at cost	<u>1</u>

The subsidiaries of the company are set out below:

Name of company	Principal activities/ country of incorporation and place of business	Cost of investment 2005 \$	Effective equity interest held by the company 2005 %
Scorpio East Entertainment Sdn. Bhd. ⁽¹⁾	Procurement and distribution of film rights/ Malaysia	1	100
Scorpio East Pictures (H.K.) Limited ⁽²⁾	Procurement and distribution of film rights/ Hong Kong	*	100
Total		<u>1</u>	

SCORPIO EAST HOLDINGS PTE. LTD.

4 INVESTMENT IN SUBSIDIARIES (cont'd)

Notes on cost:

- (1) The company was incorporated on January 20, 2005 with an issued capital of 2 ordinary shares of RM1 each.
- (2) The company was incorporated on January 5, 2005 with an issued capital of 1 ordinary share of HK\$1 each.

The companies have been dormant since the dates of incorporation.

5 ISSUED CAPITAL

	2005	2005
	Number of ordinary shares of \$1 each	\$
Authorised	<u>30,000,000</u>	<u>30,000,000</u>
Issued and paid up:		
At date of incorporation and end of period	<u>2</u>	<u>2</u>

At the date of incorporation, 2 ordinary shares of \$1 each were issued at par for cash to the subscribers to the memorandum of association.

6 STAFF COSTS

There were no employees and associated staff costs for the period from November 24, 2004 (date of incorporation) to April 30, 2005.

7 INCOME TAX

The company has neither taxable income nor tax loss carryforwards for the period as it an investment holding company and has neither Singapore-sourced income nor income earned outside of, and remitted to, Singapore.

8 COMPARATIVE FIGURES

The financial statements cover the financial period since incorporation on November 24, 2004 to April 30, 2005. This being the first set of financial statements, there are no comparative figures.

SCORPIO EAST HOLDINGS PTE. LTD.

STATEMENT OF DIRECTORS

In the opinion of the director, the financial statements set out on pages 4 to 9 are drawn up so as to give a true and fair view of the state of affairs of the company as at April 30, 2005 and of the results, changes in equity and cash flows of the company for the period from November 24, 2004 (date of incorporation) to April 30, 2005 and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

.....
Ho Ah Huat

.....
Lian Lee Lee

May 9, 2005

**AUDITED FINANCIAL STATEMENTS OF SCORPIO EAST ENTERTAINMENT
PTE. LTD. AND SUBSIDIARIES FOR THE YEAR ENDED APRIL 30, 2005**

**SCORPIO EAST ENTERTAINMENT
PTE. LTD. AND SUBSIDIARIES**
(Registration No. 199401120N)

**REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2005**

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

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SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company and the consolidated financial statements of the group for the financial year ended April 30, 2005.

1 DIRECTORS

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

- Ho Ah Huat
- Lian Lee Lee
- Quek Yeen Yeen Serene

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debenture of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and the company in which interest are held	At beginning of year	At end of year
Scorpio East Entertainment Pte. Ltd.	Ordinary share of \$1 each	
Ho Ah Huat	430,000	471,750
Lian Lee Lee	180,000	180,000
Quek Yeen Yeen Serene	—	32,500

By virtue of Section 7 of the Singapore Companies Act, Ho Ah Huat is deemed to have an interest in the company and in all the related corporations of the company.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, 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. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 OPTIONS TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

6 OPTIONS EXERCISED

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

7 UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

8 AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....
Ho Ah Huat

.....
Lian Lee Lee

May 17, 2005

AUDITORS' REPORT TO THE MEMBERS OF SCORPIO EAST ENTERTAINMENT PTE. LTD.

We have audited the financial statements of Scorpio East Entertainment Pte. Ltd. set out on pages 4 to 20 for the year ended April 30, 2005. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended April 30, 2004 were audited by another auditor whose report date April 29, 2005 expressed on unqualified opinions on those statements.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at April 30, 2005 and of the results, changes in equity and cash flows of the group and the changes in equity of the company for the year ended on that date; and
- (b) 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 auditor have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche
Certified Public Accountants

Singapore
May 17, 2005

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

BALANCE SHEETS

April 30, 2005

	Note	GROUP		COMPANY	
		2005	2004	2005	2004
		\$	\$	\$	\$
ASSETS					
Current assets:					
Cash and bank balances		1,274,003	613,665	853,114	549,509
Trade receivables		4,277,035	1,881,524	4,277,035	1,881,524
Other receivables and prepayments	6	941,279	972,050	731,940	936,206
Inventories	7	479,900	140,021	479,900	140,021
Deferred expenditure	8	133,052	—	133,052	—
Total current assets		<u>7,105,269</u>	<u>3,607,260</u>	<u>6,475,041</u>	<u>3,507,260</u>
Non-current assets:					
Investment in associate	9	—	220,000	—	220,000
Investment in subsidiaries	10	—	—	500,001	500,000
Other investment	11	200,000	200,000	200,000	200,000
Plant and equipment	12	1,213,731	816,319	1,213,731	816,319
Total non-current assets		<u>1,413,731</u>	<u>1,236,319</u>	<u>1,913,732</u>	<u>1,736,319</u>
Total assets		<u><u>8,519,000</u></u>	<u><u>4,843,579</u></u>	<u><u>8,388,773</u></u>	<u><u>5,243,579</u></u>
LIABILITIES AND EQUITY					
Current liabilities:					
Trade payables	13	1,890,331	1,969,848	1,890,331	1,969,848
Other payables	14	1,209,924	1,291,132	1,209,631	1,691,132
Income tax payable		796,132	139,000	796,132	139,000
Current portion of finance leases	15	159,375	82,799	159,375	82,799
Total current liabilities		<u>4,055,762</u>	<u>3,482,779</u>	<u>4,055,469</u>	<u>3,882,779</u>
Non-current liability:					
Finance leases	15	838,032	537,984	838,032	537,984
Minority interests		<u>153,119</u>	<u>—</u>	<u>—</u>	<u>—</u>
Capital and reserves:					
Issued capital	16	850,000	760,000	850,000	760,000
Accumulated profits		<u>2,622,087</u>	<u>62,816</u>	<u>2,645,272</u>	<u>62,816</u>
Total equity		<u>3,472,087</u>	<u>822,816</u>	<u>3,495,272</u>	<u>822,816</u>
Total liabilities and equity		<u><u>8,519,000</u></u>	<u><u>4,843,579</u></u>	<u><u>8,388,773</u></u>	<u><u>5,243,579</u></u>

See accompanying notes to financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS STATEMENT

Year ended April 30, 2005

		GROUP	
	Note	2005	2004
		\$	\$
Revenue	17	16,195,762	15,912,457
Cost of sales		<u>(9,667,190)</u>	<u>(12,376,637)</u>
Gross profit		6,528,572	3,535,820
Distribution costs		(379,255)	(370,070)
Administrative expenses		(2,481,614)	(1,857,491)
Other operating expenses		<u>(343,056)</u>	<u>(215,823)</u>
Profit from operations	18	3,324,647	1,092,436
Finance cost	19	<u>(29,625)</u>	<u>(32,444)</u>
Profit before income tax		3,295,022	1,059,992
Income tax	20	<u>(742,632)</u>	<u>(139,607)</u>
Profit before minority interests		2,552,390	920,385
Minority interests		<u>6,881</u>	<u>—</u>
Net profit for the year		<u><u>2,559,271</u></u>	<u><u>920,385</u></u>

See accompanying notes to financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

Year ended April 30, 2005

	Issued capital	Accumulated (losses) profits	Total
	\$	\$	\$
<u>GROUP</u>			
Balance at May 1, 2003	603,000	(857,569)	(254,569)
Issued of shares (Note 16)	157,000	—	157,000
Net profit for the year	—	920,385	920,385
	<hr/>	<hr/>	<hr/>
Balance at April 30, 2004	760,000	62,816	822,816
Issued of shares (Note 16)	90,000	—	90,000
Net profit for the year	—	2,559,271	2,559,271
	<hr/>	<hr/>	<hr/>
Balance at April 30, 2005	<u>850,000</u>	<u>2,622,087</u>	<u>3,472,087</u>
<u>COMPANY</u>			
Balance at May 1, 2003	603,000	(857,569)	(254,569)
Issued of shares (Note 16)	157,000	—	157,000
Net profit for the year	—	920,385	920,385
	<hr/>	<hr/>	<hr/>
Balance at April 30, 2004	760,000	62,816	822,816
Issued of shares (Note 16)	90,000	—	90,000
Net profit for the year	—	2,582,456	2,582,456
	<hr/>	<hr/>	<hr/>
Balance at April 30, 2005	<u>850,000</u>	<u>2,645,272</u>	<u>3,495,272</u>

See accompanying notes to financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

Year ended April 30, 2005

	2005	2004
	\$	\$
Cash flows from operating activities:		
Profit before income tax	3,295,022	1,059,992
Adjustments for:		
Depreciation expense	435,594	278,920
Interest expense	29,625	32,444
Loss on disposal of plant and equipment	—	16,571
	<hr/>	<hr/>
Operating profit before working capital changes	3,760,241	1,387,927
Trade receivables	(2,395,511)	(1,433,180)
Other receivables and prepayments	30,771	(118,392)
Inventories	(339,879)	(140,021)
Deferred expenditure	(133,052)	—
Trade payables	(79,517)	1,508,945
Other payables	(81,208)	(340,997)
	<hr/>	<hr/>
Cash generated from operations	761,845	864,282
Interest paid	(29,625)	(32,444)
Income tax paid	(85,500)	(607)
	<hr/>	<hr/>
Net cash from operating activities	646,720	831,231
	<hr/>	<hr/>
Cash flows used in investing activities:		
Proceeds from disposal of plant and equipment	—	366,267
Purchase of plant and equipment (Note A)	(297,006)	(173,767)
Proceeds from disposal of investment in associate	220,000	—
Increase in investment in associate	—	(57,000)
Purchase of club membership	—	(200,000)
	<hr/>	<hr/>
Net cash used in investing activities	(77,006)	(64,500)
	<hr/>	<hr/>
Cash flows from (used in) financing activities:		
Repayment of obligation under finance leases	(159,376)	(495,265)
Increase in minority interests	160,000	—
Proceeds from issuance of shares	90,000	157,000
	<hr/>	<hr/>
Net cash from (used in) financing activities	90,624	(338,265)
	<hr/>	<hr/>
Net increase in cash and bank balances	660,338	428,466
Cash and bank balances at beginning of year	613,665	185,199
	<hr/>	<hr/>
Cash and bank balances at end of year	<u>1,274,003</u>	<u>613,665</u>

Note to the consolidated statement of cash flow:

A. Plant and equipment

During the year, the group acquired plant and equipment with an aggregate cost of \$833,006 (2004: \$612,221) of which \$536,000 (2004: \$438,454) was acquired under finance lease arrangements. Cash payment of \$297,006 (2004: \$173,767) was made to purchase plant and equipment.

See accompanying notes to financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

April 30, 2005

1 GENERAL

The company (Registration No. 199401120N) is incorporated in the Republic of Singapore with its principal place of business and registered office at 6 Harper Road, #02-01 Leong Huat Building, Singapore 369674. The financial statements are expressed in Singapore dollars.

The principal activities of the company are those of film and video distribution and the provision of video filming and recording services.

The principal activities of its subsidiaries are described in Note 10 to the financial statements.

The financial statements of the company and of the consolidated financial statements of the group for the year ended April 30, 2005 were authorised for issue by the Board of Directors on May 17, 2005.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING — The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards.

BASIS OF CONSOLIDATION — The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to April 30 each year. Control is achieved when the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

In the company's financial statements, investment in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

FINANCIAL ASSETS — Financial assets consist of cash and bank balances, trade and other receivables and other investment. Trade and other receivables are stated at their nominal values as reduced by appropriate allowances for estimated irrecoverable amounts. The accounting policy for other investment is described below. Cash and bank balances are stated at their nominal values.

FINANCIAL LIABILITIES AND EQUITY — Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include finance lease obligations, trade and other payables.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The accounting policy adopted for finance lease obligations is outlined below.

Finance costs are accounted for on an accrual basis (effective yield method) and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Dividends on ordinary shares are recognised in shareholders' equity in the period in which they are declared.

Trade and other payables are stated at their nominal values.

Equity instruments are recorded at the fair value of the consideration received net of direct issue costs.

INVENTORIES — Inventories are measured at the lower of cost (FIFO method) and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

PLANT AND EQUIPMENT — Plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Air-conditioner, video recorders and renovation	—	3 years
Furniture and fittings	—	3 years
Office equipment	—	3 years
Motor vehicles	—	5 years

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

OTHER INVESTMENT — Club membership is stated at cost less any impairment in net recoverable value.

DEFERRED EXPENDITURE — This represents portion of the license costs of movies incurred before the release of the movies on DVD media. The license costs are charged to the profit and loss statement when the movies are released on DVD media.

GOODWILL — Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising from an acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately in the balance sheet.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*cont'd*)

NEGATIVE GOODWILL — Negative goodwill represents the excess of the fair value of the Group's share of net assets acquired over the cost of acquisition. Negative goodwill is presented as the same balance sheet classification as goodwill. To the extent that the negative goodwill relates to expectations of future losses and expenses that can be reliably measured, but do not represent identifiable liabilities, the portion of negative goodwill is recognised in the profit and loss statement when the future losses and expenses are incurred. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss statement over the remaining weighted average useful life of those assets. Negative goodwill in excess of the fair value of those assets is recognised in the profit and loss statement immediately.

IMPAIRMENT OF ASSETS — At each balance sheet date, the company and the group review the carrying amount of the tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

PROVISIONS — Provisions are recognised when the group and company have a present obligation as a result of a past event where it is probable that the obligation will result in an outflow of economic benefits that can be reasonably estimated.

LEASES — Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

REVENUE RECOGNITION — Revenue from grant of sub-distribution rights are recognised in accordance with the substance of the agreement, on a straight line basis over the life of the agreement. Revenue from the assignment of distribution rights and sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future costs) can be measured reliably. Revenue from the rendering of services that are of a short duration is recognised when the services are completed.

RETIREMENT BENEFIT COSTS — Payments to defined contribution retirement benefit plans (including state-managed retirement benefit schemes, such as the Singapore Central Provident Fund) are charged as an expense when incurred.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

EMPLOYEE LEAVE ENTITLEMENT — Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

INCOME TAX — Tax expense is determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority.

FOREIGN CURRENCY TRANSACTIONS — Transactions in foreign currencies are recorded in Singapore dollars at the rates ruling at the dates of the transactions. At each balance sheet date, recorded monetary balances that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment gains and losses are dealt with in the profit and loss statement.

CASH — Cash for the statement of cash flows includes cash and cash equivalents.

3 FINANCIAL RISKS AND MANAGEMENT

The group's overall risk management programme seeks to minimise potential adverse effects on the financial performance of the group.

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the group. The group has adopted procedures in extending credit terms to customers and in monitoring credit risk. The credit policy used clearly defines the guidelines on extending credit terms to customers, including an assessment and valuation of customers' credit reliability.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets stated in the balance sheet.

Concentrations of credit risk exist when changes in economic, industry or geographic factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the group's total credit exposure.

As at April 30, 2005, 83.1% (2004: 72.6%) of trade receivable balance amounting to \$3,553,242 (2004: \$1,366,852) relates to 3 major debtors.

(ii) Interest rate risk

The group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. These exposure are managed partly by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

3 FINANCIAL RISKS AND MANAGEMENT (cont'd)

(iii) Foreign currency risk

The group does not transact in financial derivatives to hedge its exposure to foreign currency risk. It is the group’s policy not to trade in derivative contracts.

(iv) Liquidity risk

The group maintains and monitor a level of cash deemed adequate by management at all times to finance its obligations as and when they fall due.

(v) Fair value of financial assets and liabilities

The carrying values of financial assets and financial liabilities reported in the balance sheet approximate the fair values of those assets and liabilities.

4 RELATED COMPANY TRANSACTIONS

Some of the company’s transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and without fixed repayment terms unless otherwise stated.

Significant inter-company transactions, other than those disclosed elsewhere in the notes to profit and loss statement are as follows:

	GROUP AND COMPANY	
	2005	2004
	\$	\$
Purchases from associate	44,112	888,020

5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the company’s transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and without fixed repayment terms.

Significant related party transactions, other those disclosed elsewhere in the notes to profit and loss statements:

	GROUP AND COMPANY	
	2005	2004
	\$	\$
Proceeds from disposal of investment in associate	220,000	—
Purchases from related party	253,807	—

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

6 OTHER RECEIVABLES AND PREPAYMENTS

	GROUP		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
Associate (Notes 4 and 9)	—	30,000	—	30,000
Subsidiary (Notes 4 and 10)	—	—	2,296	—
Deposits	499,284	278,080	319,162	242,236
Prepayments	324,968	663,970	314,982	663,970
Others	117,027	—	95,500	—
	<u>941,279</u>	<u>972,050</u>	<u>731,940</u>	<u>936,206</u>

7 INVENTORIES

	GROUP AND COMPANY	
	2005	2004
	\$	\$
Finished goods, at cost	<u>479,900</u>	<u>140,021</u>

8 DEFERRED EXPENDITURE

	GROUP AND COMPANY	
	2005	2004
	\$	\$
License, at cost	<u>133,052</u>	<u>—</u>

9 INVESTMENT IN ASSOCIATE

	GROUP AND COMPANY	
	2005	2004
	\$	\$
Unquoted equity shares, at cost	<u>—</u>	<u>220,000</u>

The associate of the group is set out below:

Name of company	Principal activity	Country of incorporation	Effective equity interest held by group	
			2005	2004
			%	%
Infodisc Multimedia Manufacturing Pte Ltd ⁽¹⁾⁽²⁾	Manufacturing of disk media	Singapore	<u>—</u>	<u>33.3</u>

Notes

(1) Audited by another firm of auditors other than Deloitte & Touche, Singapore.

(2) The company has not adopted equity accounting to include the share of the results of the associated company in 2004 as the company has no intentions to hold it for the long term. The investment in associate was disposed off to director, Ho Ah Huat, at cost on May 20, 2004.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

10 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2005	2004
	\$	\$
Unquoted equity shares, at cost	<u>500,001</u>	<u>500,000</u>

The subsidiaries of the group are set out below:

Name of company	Principal activities/ Country of incorporation	Cost of investment		Effective equity interest held by group	
		2005	2004	2005	2004
		\$	\$	%	%
Scorpio East Multimedia Pte. Ltd. ⁽¹⁾⁽³⁾	Manufacturing of disk media/ Singapore	500,000	500,000	75.7	100
Scorpio East Pictures Pte. Ltd. ⁽¹⁾⁽²⁾⁽⁴⁾	Procurement and distribution of film rights/Singapore	<u>1</u>	<u>—</u>	100	—
Total		<u>500,001</u>	<u>500,000</u>		

Notes

- (1) Audited by Deloitte & Touche, Singapore.
(2) The subsidiary was incorporated on October 6, 2004.
(3) The subsidiary was incorporated on December 20, 2003.
(4) The subsidiary has been dormant since incorporation.

11 OTHER INVESTMENT

	GROUP AND COMPANY	
	2005	2004
	\$	\$
Transferable club memberships, at cost	<u>200,000</u>	<u>200,000</u>

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

12 PLANT AND EQUIPMENT

	Air-con, video recorders and renovation \$	Furniture and fittings \$	Office equipment \$	Motor vehicles \$	Total \$
<u>GROUP AND COMPANY</u>					
Cost:					
At beginning of year	134,829	49,681	119,273	781,000	1,084,783
Additions	94,034	28,383	40,589	670,000	833,006
At end of year	<u>228,863</u>	<u>78,064</u>	<u>159,862</u>	<u>1,451,000</u>	<u>1,917,789</u>
Accumulated depreciation:					
At beginning of year	38,902	20,320	41,075	168,167	268,464
Depreciation for the year	71,936	24,159	49,299	290,200	435,594
At end of year	<u>110,838</u>	<u>44,479</u>	<u>90,374</u>	<u>458,367</u>	<u>704,058</u>
Depreciation for last year	<u>36,324</u>	<u>14,078</u>	<u>36,302</u>	<u>192,216</u>	<u>278,920</u>
Carrying amount:					
At end of year	<u>118,025</u>	<u>33,585</u>	<u>69,488</u>	<u>992,633</u>	<u>1,213,731</u>
At beginning of year	<u>95,927</u>	<u>29,361</u>	<u>78,198</u>	<u>612,833</u>	<u>816,319</u>

Motor vehicles with a net book value of \$992,633 (2004: \$612,833) are under finance lease arrangements.

13 TRADE PAYABLES

	<u>GROUP AND COMPANY</u>	
	2005	2004
	\$	\$
Outside parties	<u>1,890,331</u>	<u>1,969,848</u>

14 OTHER PAYABLES

	<u>GROUP</u>		<u>COMPANY</u>	
	2005	2004	2005	2004
	\$	\$	\$	\$
Subsidiary (Notes 4 and 10)	—	—	—	400,000
Directors (Note 5)	—	90,000	—	90,000
Accruals	310,925	142,665	310,632	142,665
Deposits received	847,111	918,372	847,111	918,372
Others	51,888	140,095	51,888	140,095
	<u>1,209,924</u>	<u>1,291,132</u>	<u>1,209,631</u>	<u>1,691,132</u>

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

15 OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Fair value of minimum lease payments	
	2005	2004	2005	2004
	\$	\$	\$	\$
<u>GROUP AND COMPANY</u>				
Amounts payable under finance leases:				
Within one year	189,000	100,632	159,375	82,799
In the second to fifth years inclusive	756,000	402,528	637,500	331,196
After five years	244,741	257,038	200,532	206,788
	<u>1,189,741</u>	<u>760,198</u>	<u>997,407</u>	<u>620,783</u>
Less: Future finance charges	<u>(192,334)</u>	<u>(139,415)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>997,407</u>	<u>620,783</u>	997,407	620,783
Less: Amount due for settlement within 12 months			<u>(159,375)</u>	<u>(82,799)</u>
Amount due for settlement after 12 months			<u>838,032</u>	<u>537,984</u>

The finance leases bear interest ranged from 2.20% to 2.78% (2004: 2.20% to 2.78%) per annum.

16 ISSUED CAPITAL

	GROUP AND COMPANY			
	2005	2004	2005	2004
	Number of ordinary Shares of \$1 each		\$	\$
Authorised	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Issued and paid up				
At beginning of year	760,000	603,000	760,000	603,000
Issued during the year	<u>90,000</u>	<u>157,000</u>	<u>90,000</u>	<u>157,000</u>
At end of year	<u>850,000</u>	<u>760,000</u>	<u>850,000</u>	<u>760,000</u>

During the year, 90,000 (2004: 157,000) ordinary shares of \$1 each were issued at par for cash to provide additional working capital.

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

17 REVENUE

	GROUP		COMPANY	
	2005	2004	2005	2004
	\$	\$	\$	\$
Sale of goods	9,240,632	10,070,774	9,240,632	10,070,774
Rendering of services	1,250	—	—	—
Grant of sub-distribution rights	5,384,960	5,383,737	5,384,960	5,383,737
Assignment of sub-distribution rights	1,568,920	457,946	1,568,920	457,946
	<u>16,195,762</u>	<u>15,912,457</u>	<u>16,194,512</u>	<u>15,912,457</u>

18 PROFIT FROM OPERATIONS

	GROUP	
	2005	2004
Number of employees at end of year	<u>41</u>	<u>35</u>

	GROUP	
	2005	2004
	\$	\$
Directors' remuneration	681,071	447,956
Directors' fees	85,000	90,000
Staff costs (including directors' remuneration)	1,760,687	1,286,124
Costs of defined contribution plans included in staff costs	155,848	126,231
Loss on disposal of plant and equipment	—	16,571
	<u>—</u>	<u>16,571</u>

19 FINANCE COST

	GROUP	
	2005	2004
	\$	\$
Interest expense to non-related companies	<u>29,625</u>	<u>32,444</u>

20 INCOME TAX

	GROUP	
	2005	2004
	\$	\$
Current	742,632	139,000
Underprovision in prior years — current	—	607
Total income tax expense	<u>742,632</u>	<u>139,607</u>

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

20 INCOME TAX (*cont'd*)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 20% (2004: 20%) to profit before income tax as a result of the following differences:

	GROUP	
	2005	2004
	\$	\$
Income tax expense at statutory rate	659,004	211,998
Non-allowable items	86,481	55,415
Underprovision in prior years	—	607
Tax benefits not recognised	5,677	—
Prior year tax loss utilised (previously not recognised)	—	(100,466)
Tax exemption	(10,500)	(10,500)
Change in tax rate	—	(10,046)
Others	1,970	(7,401)
Total income tax expense	<u>742,632</u>	<u>139,607</u>

21 CAPITAL EXPENDITURE COMMITMENTS

	GROUP	
	2005	2004
	\$	\$
Estimated amounts committed for future capital expenditure, but not provided for in the financial statements	<u>1,960,711</u>	<u>—</u>

22 CONTINGENT LIABILITIES

	GROUP	
	2005	2004
	\$	\$
Guarantees (unsecured)	925,000	500,000
Letter of credit (secured by the machine financed)	<u>178,530</u>	<u>—</u>
Total	<u>1,103,530</u>	<u>500,000</u>

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

23 OPERATING LEASE COMMITMENTS

	GROUP	
	2005	2004
	\$	\$
Minimum lease payments under operating leases included in the profit and loss statement	152,580	86,849

At the balance sheet date, commitments in respect of non-cancellable operating leases for the rental of office premises and warehouses were as follows:

	GROUP	
	2005	2004
	\$	\$
Future minimum lease payments payable:		
Within one year	248,655	152,580
In second to fifth years inclusive	148,567	213,064
Total	397,222	365,644

24 FINANCIAL INFORMATION BY SEGMENTS

For management purposes, the group is currently organised into one segment. This segment is primarily engaged in providing film and video distribution. This division is the basis on which the group reports its primary segment information.

Geographic segments

The following table provides an analysis of the group revenue by geographical market which is analysed based on the billing address of each individual customer:

	GROUP		COMPANY	
	2005	2004	2005	2004
<u>Revenue</u>	\$	\$	\$	\$
Singapore	13,939,777	15,436,810	13,938,527	15,436,810
Malaysia	1,996,855	350,487	1,996,855	350,487
Others	259,130	125,160	259,130	125,160
Total	16,195,762	15,912,457	16,194,512	15,912,457

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

25 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year’s financial statements to enhance comparability with current year’s financial statements. As a result, certain line items have been amended on the face of the balance sheet, profit and loss statement, statement of changes in equity and cash flow statements, and the related notes to the financial statements. Comparative figures have been adjusted to conform with current year’s presentation as follows:

	April 30, 2004	
	As previously reported	Restated
	\$	\$
<u>COMPANY</u>		
<u>Balance sheet</u>		
Other receivables and prepayments	906,206	936,206
Investment in associate	250,000	220,000
Investment in subsidiaries	100,000	500,000
	<u>1,256,206</u>	<u>1,656,206</u>
Trade payables	2,192,913	1,969,848
Other payables	1,068,067	1,691,132
	<u>3,260,980</u>	<u>3,660,980</u>
Net	<u>(2,004,774)</u>	<u>(2,004,774)</u>

SCORPIO EAST ENTERTAINMENT PTE. LTD. AND SUBSIDIARIES

STATEMENT OF DIRECTORS

In the opinion of the directors, the financial statements of the company and consolidated financial statements of the group set out on pages 4 to 20 are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at April 30, 2005 and of the results of the group, changes in equity of the company and the group and cash flows of the group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

ON BEHALF OF THE DIRECTORS

.....
Ho Ah Huat

.....
Lian Lee Lee

May 17, 2005

**AUDITED FINANCIAL STATEMENTS OF SCORPIO EAST ENTERTAINMENT
PTE. LTD. FOR THE YEARS ENDED APRIL 30, 2003 AND APRIL 30, 2004**

SCORPIO EAST ENTERTAINMENT PTE. LTD.
(Incorporated in Singapore)
Company Registration No. 199401120N

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 APRIL 2003**

P. K. TIONG & CO.
Certified Public Accountants
SINGAPORE

SCORPIO EAST ENTERTAINMENT PTE. LTD.
(Incorporated in Singapore)
Company Registration No. 199401120N

AUDITED FINANCIAL STATEMENTS - 30 APRIL 2003

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SCORPIO EAST ENTERTAINMENT PTE. LTD.

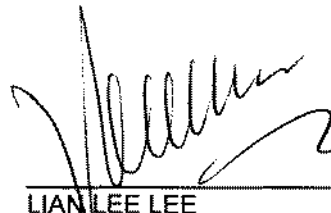
STATEMENT BY DIRECTORS

We, the undersigned directors, state that in the opinion of the directors the balance sheet, income statement, statement of changes in equity and statement of cash flows together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the company as at 30 April 2003 and of the results, changes in equity and cash flows of the company for the year then ended; and there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Board:-



HO AH HUAT
DIRECTOR



LIAN LEE LEE
DIRECTOR

Singapore, 29 April 2005

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SCORPIO EAST ENTERTAINMENT PTE. LTD.**

1. We have audited the accompanying balance sheet of SCORPIO EAST ENTERTAINMENT PTE. LTD. as at 30 April 2003 and the income statement, statement of changes in equity and statement of cash flows for the year then ended together with the notes thereto. These financial statements are the responsibilities of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion,
 - (a) the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Cap. 50 and Statements of Accounting Standard and so as to give a true and fair view of:-
 - (i) the state of affairs of the company as at 30 April 2003 and of the results, changes in equity and cash flows of the company for the year then ended; and
 - (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements;
 - (b) the accounting and other records and the registers required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.



P. K. TIONG & CO.
Certified Public Accountants

Singapore, 29 April 2005

SCORPIO EAST ENTERTAINMENT PTE. LTD.

BALANCE SHEET
AS AT 30 APRIL 2003

	Note	2003 \$	2002 \$
Share capital			
Authorised:			
1,000,000 (2002: 200,000) Ordinary shares of \$1 each		1,000,000	200,000
		=====	=====
Issued and fully paid:			
603,000 (2002: 100,000) Ordinary shares of \$1 each	3	603,000	100,000
Accumulated losses		(857,569)	(283,536)
Deficit shareholders' fund		(254,569)	(183,536)
		=====	=====
Fixed assets	4	865,856	-
Associated company	5	193,000	-
Current assets			
Trade debtors		448,344	18
Other debtors	6	823,658	-
Cash and bank balances		185,199	188
		-----	-----
		1,457,201	206
		-----	-----
Current liabilities			
Trade creditors		460,903	7,489
Other creditors	7	1,632,129	-
Amount due to a director		-	176,253
Hire purchase creditors	8	107,702	-
		-----	-----
		2,200,734	183,742
		-----	-----
Net current liabilities		(743,533)	(183,536)
Long-term liabilities			
Hire purchase creditors	8	(569,892)	-
		-----	-----
		(254,569)	(183,536)
		=====	=====

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2003

	Note	2003 \$	2002 \$
Turnover	9	1,492,701	61,576
Cost of sales		(1,511,397)	(38,746)
Gross (loss)/profit		<u>(18,696)</u>	<u>22,830</u>
Administrative expenses		(302,567)	(10,365)
Other operating expenses		(246,986)	(1,580)
(Loss)/profit from operations		<u>(568,249)</u>	<u>10,885</u>
Finance cost		(5,784)	(370)
(Loss)/profit before taxation	10	<u>(574,033)</u>	<u>10,515</u>
Taxation	11	-	-
(Loss)/profit for the year		<u><u>(574,033)</u></u>	<u><u>10,515</u></u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2003

	2003 \$	2002 \$
Share capital:		
At 1 May	100,000	100,000
Shares issued	503,000	-
At 30 April	<u>603,000</u>	<u>100,000</u>
Accumulated losses:		
At 1 May	(283,536)	(294,051)
(Loss)/profit for the year	(574,033)	10,515
At 30 April	<u>(857,569)</u>	<u>(283,536)</u>
Total equity	<u>(254,569)</u>	<u>(183,536)</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2003

	2003 \$	2002 \$
Cash flows from operating activities:		
Net (loss)/profit before taxation	(574,033)	10,515
Adjustments for:		
Depreciation	69,660	-
Interest expense	5,414	-
Operating (loss)/profit before reinvestment in working capital	(498,959)	10,515
Increase in debtors	(1,271,984)	(18)
Increase in loan to associated company	(30,000)	-
Increase/(decrease) in creditors	2,763,137	(6,272)
Decrease in director's balance	(176,253)	(5,785)
Cash provided by/(used in) operation	785,941	(1,560)
Interest paid	(5,414)	-
Net cash flows provided by/(used in) operating activities	780,527	(1,560)
Cash flows from investing activities:		
Purchase of fixed assets	(935,516)	-
Investment in associated company	(163,000)	-
Net cash used in investing activities	(1,098,516)	-
Cash flows from financing activities:		
Proceeds from issuance of shares	503,000	-
Net cash provided by financing activities	503,000	-
Net increase/(decrease) in cash and cash equivalents	185,011	(1,560)
Cash and cash equivalents at beginning of year	188	1,748
Cash and cash equivalents at end of year	185,199	188

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2003

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

The company is incorporated in Singapore and its registered office is situated at 6 Harper Road #02-01, Singapore. These financial statements are expressed in Singapore dollars.

The principal activities of the company are those of film and video distributors and the provision of video filming and recording services. There have been no significant changes in the nature of these activities during the financial year.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the company and are consistent with those used in the previous year.

(a) ACCOUNTING CONVENTION

The financial statements have been prepared in accordance with the historical cost convention and the Statements of Accounting Standard.

(b) FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation of fixed assets is calculated on the straight-line method to write off the cost of fixed assets over their estimated useful lives which are as follows:-

Motor vehicles	5 years
Office equipment, air-conditioners and video recorders	3 years
Renovation, furniture and fittings	3 years

(c) TRADE AND OTHER DEBTORS

Trade and other debtors are recognised and carried at original invoiced amount less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(d) TRADE AND OTHER CREDITORS

Liabilities for trade and other creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

(e) INCOME TAX

The tax expense is determined on the basis of tax effect accounting, using the liability method and is applied to all significant temporary differences. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

(f) INCOME RECOGNITION

Revenue from sale of distribution rights is recognised upon passage of title to customers.

(g) ASSOCIATED COMPANY

An associated company is defined as a company not being a subsidiary, in which the company has a substantial interest of not less than 20% of the equity and in whose financial and operating policy decisions the company exercises significant influence.

Investment in associated company is stated at cost. Provision for impairment loss is made when, in the opinion of the directors, there has been a decline other than a temporary decline in the value of the investment.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2003

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) EMPLOYEE BENEFITS

Defined contribution plan

As required by law, the company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlement to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(i) IMPAIRMENT

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is only reversed 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. All reversals of impairment are recognised in the income statement.

(j) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents and other accounts receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

3. SHARE CAPITAL

During the financial year, the company:

- (a) increased its authorised capital from \$200,000 to \$1,000,000 by the creation of a further 800,000 ordinary shares of \$1 each; and
- (b) issued 243,000 ordinary shares of \$1 each at par for cash to provide additional working capital and a further 260,000 shares of \$1 each at par consideration for which was satisfied through the conversion of loans to company into shares.

4. FIXED ASSETS

<u>Cost</u>	<u>Motor vehicles</u> \$	<u>Office equipment</u> \$	<u>Furniture & fittings</u> \$	<u>Other assets</u> \$	<u>Total</u> \$
Additions	805,500	52,089	29,810	48,117	935,516
At 30.4.2003	805,500	52,089	29,810	48,117	935,516
<u>Accumulated depreciation</u>					
Charge for the year	56,067	4,773	6,242	2,578	69,660
At 30.4.2003	56,067	4,773	6,242	2,578	69,660

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2003

4. FIXED ASSETS (cont'd)

	<u>Motor vehicles</u> \$	<u>Office equipment</u> \$	<u>Furniture & fittings</u> \$	<u>Other assets</u> \$	<u>Total</u> \$
<u>Net book value</u>					
At 30.4.2003	749,433 =====	47,316 =====	23,568 =====	45,539 =====	865,856 =====

- a) Other assets comprised renovation, video recorders and air-conditioners.
b) Motor vehicles were purchased under hire purchase.

5. ASSOCIATED COMPANY

	2003 \$	2002 \$
Unquoted shares, at cost	163,000	-
Loan	30,000	-
	----- 193,000 =====	----- - =====

- a) The associated company is Infodisc Multimedia Manufacturing Pte Ltd, a company incorporated in Singapore. Its activities are the manufacture of disk media. The percentage of equity held by the company is 33.33%.
b) The loan is unsecured and interest-free with no fixed terms of repayment.
c) The company has not adopted equity accounting to include its share of the results of the associated company as the company had no intentions to hold it for the long-term. Its interest in the shares of the associated company was sold to director, Ho Ah Huat, for \$220,000 in May 2004.

6. OTHER DEBTORS

	2003 \$	2002 \$
Deposits	46,444	-
Sundry debtors	2,500	-
Prepayments	774,714	-
	----- 823,658 =====	----- - =====

7. OTHER CREDITORS

	2003 \$	2002 \$
Deposits received	1,258,991	-
Billings in advance	368,138	-
Sundry creditor	5,000	-
	----- 1,632,129 =====	----- - =====

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2003

8. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	2003	2002
	\$	\$
Minimum lease payments due:		
within one year	127,241	-
within two to five years	370,020	-
after five years	345,025	-
	<u>842,286</u>	<u>-</u>
Financial charges allocated to future periods	(164,692)	-
	<u>677,594</u>	<u>-</u>
	=====	=====

9. TURNOVER

Turnover represents invoiced value of distribution rights sold after allowance for discounts.

10. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging:-

	2003	2002
	\$	\$
Auditors' remuneration	3,500	1,500
Depreciation of fixed assets	69,660	-
Directors' fees	39,960	-
Directors' remuneration	19,530	-
Hire purchase interest	5,414	-
	<u>=====</u>	<u>=====</u>

11. TAXATION

No tax has been provided as there is no chargeable income for the financial year. At balance sheet date, the company has estimated tax losses and capital allowances of \$502,000 (2002: \$250,000) which should be available for set-off against future profits subject to Sections 23 and 37 of the Income Tax Act, Cap. 134 and agreement by the Comptroller of Income Tax.

12. RELATED PARTY TRANSACTIONS

Significant transactions entered during the financial year with the associated company, at terms agreed between the parties, are purchases totalling \$77,479 (2002: nil).

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2003

13. EMPLOYEE COSTS AND NUMBER

	2003	2002
	\$	\$
Cost of employees:		
Salaries and bonuses	189,394	4,503
Central Provident Fund contributions	25,010	720
	<u>214,404</u>	<u>5,223</u>
Total	<u>214,404</u>	<u>5,223</u>
	<u>=====</u>	<u>=====</u>
Number of employees	20	1
	<u>===</u>	<u>===</u>

14. SUBSEQUENT EVENT

Subsequent to year-end, the company issued 147,000 shares of \$1 each at par for cash to provide additional working capital and a further 100,000 shares of \$1 each at par consideration for which was satisfied through the conversion of loans granted to the company into shares.

15. FINANCIAL RISK MANAGEMENT AND POLICIES

The main risks arising from the company's financial instruments are foreign currency and credit risks. The company reviews and agrees policies for managing each of these risks.

Foreign currency risk

The company incurs foreign currency risk on the financial instruments which are denominated in currencies other than Singapore dollars. The company does not hedge against the risk of foreign currency fluctuations as the risk is considered manageable.

Credit risk

The carrying amount of trade and other debtors represents the company's maximum exposure to credit risk.

The company has no significant concentration of credit risk as at end of the financial year.

Fair values of financial instruments

The carrying amounts of the financial assets and financial liabilities of the company approximate their fair values.

SCORPIO EAST ENTERTAINMENT PTE. LTD.
(Incorporated in Singapore)
Company Registration No. 199401120N

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 APRIL 2004**

P. K. TIONG & CO.
Certified Public Accountants
SINGAPORE

SCORPIO EAST ENTERTAINMENT PTE. LTD.
(Incorporated in Singapore)
Company Registration No. 199401120N

AUDITED FINANCIAL STATEMENTS - 30 APRIL 2004

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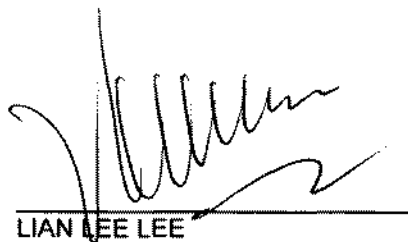
SCORPIO EAST ENTERTAINMENT PTE. LTD.**STATEMENT BY DIRECTORS**

We, the undersigned directors, state that in the opinion of the directors the balance sheet, income statement, statement of changes in equity and statement of cash flows together with the notes thereon are drawn up so as to give a true and fair view of the state of affairs of the company as at 30 April 2004 and of the results, changes in equity and cash flows of the company for the year then ended; and there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Board:-



HO AH HUAT
DIRECTOR



LIAN LEE LEE
DIRECTOR


Singapore, 29 April 2005

**REPORT OF THE AUDITORS TO THE MEMBERS OF
SCORPIO EAST ENTERTAINMENT PTE. LTD.**

1. We have audited the accompanying balance sheet of SCORPIO EAST ENTERTAINMENT PTE. LTD. as at 30 April 2004 and the income statement, statement of changes in equity and statement of cash flows for the year then ended together with the notes thereto. These financial statements are the responsibilities of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion,
 - (a) the financial statements are
 - (i) in compliance with the requirements of Singapore Financial Reporting Standards and give a true and fair view of the matters required by Section 201 of the Singapore Companies Act (the Act) to be dealt with in the financial statements; and
 - (ii) in accordance with the Act so as to give a true and fair view of the state of affairs of the company as at 30 April 2004 and of the results, changes in equity and cash flows of the company for the year then ended; and
 - (b) the accounting and other records (excluding registers) required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.


P. K. TIONG & CO.
Certified Public Accountants

Singapore, 29 April 2005

SCORPIO EAST ENTERTAINMENT PTE. LTD.

BALANCE SHEET
AS AT 30 APRIL 2004

	Note	2004 \$	2003 \$
Share capital			
Authorised:			
1,000,000 Ordinary shares of \$1 each		1,000,000	1,000,000
		=====	=====
Issued and fully paid:			
760,000 (2003: 603,000) Ordinary shares of \$1 each	3	760,000	603,000
Revenue reserve/(accumulated losses)			
		62,816	(857,569)
		-----	-----
		822,816	(254,569)
		=====	=====
Fixed assets			
Club membership, at cost	4	816,319	865,856
Subsidiary company	5	200,000	-
Associated company	6	100,000	-
		250,000	193,000
Current assets			
Stocks		140,021	-
Trade debtors		1,881,524	448,344
Other debtors	7	906,206	823,658
Cash and bank balances		549,509	185,199
		-----	-----
		3,477,260	1,457,201
		-----	-----
Current liabilities			
Trade creditors		2,192,913	460,903
Other creditors	8	1,068,067	1,632,129
Hire purchase creditors	9	82,799	107,702
Provision for taxation		139,000	-
		-----	-----
		3,482,779	2,200,734
		-----	-----
Net current liabilities			
		(5,519)	(743,533)
Long-term liabilities			
Hire purchase creditors	9	(537,984)	(569,892)
		-----	-----
		822,816	(254,569)
		=====	=====

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2004

	Note	2004 \$	2003 \$
Turnover	10	15,912,457	1,492,701
Cost of sales		(12,376,637)	(1,511,397)
Gross profit/(loss)		<u>3,535,820</u>	<u>(18,696)</u>
Administrative expenses		(1,414,898)	(302,567)
Other operating expenses		(1,024,090)	(246,986)
Profit/(loss) from operations		<u>1,096,832</u>	<u>(568,249)</u>
Finance cost		(36,840)	(5,784)
Profit/(loss) before taxation	11	<u>1,059,992</u>	<u>(574,033)</u>
Taxation	12	(139,607)	-
Profit/(loss) for the year		<u><u>920,385</u></u>	<u><u>(574,033)</u></u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2004

	2004 \$	2003 \$
Share capital:		
At 1 May	603,000	100,000
Shares issued	157,000	503,000
At 30 April	<u>760,000</u>	<u>603,000</u>
Revenue reserve/(accumulated losses):		
At 1 May	(857,569)	(283,536)
Profit/(loss) for the year	920,385	(574,033)
At 30 April	<u>62,816</u>	<u>(857,569)</u>
Total equity	<u>822,816</u>	<u>(254,569)</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2004

	2004 \$	2003 \$
Cash flows from operating activities:		
Net profit/(loss) before taxation	1,059,992	(574,033)
Adjustments for:		
Depreciation	278,920	69,660
Interest expense	32,444	5,414
Loss on disposal of fixed assets	16,571	-
	<hr/>	<hr/>
Operating profit/(loss) before reinvestment in working capital	1,387,927	(498,959)
Increase in stocks	(140,021)	-
Increase in debtors	(1,515,728)	(1,271,984)
Increase in loan to associated company	-	(30,000)
Increase in loan from subsidiary	400,000	-
Increase in creditors	1,111,137	2,763,137
Decrease in director's balance	-	(176,253)
	<hr/>	<hr/>
Cash provided by operation	1,243,315	785,941
Interest paid	(32,444)	(5,414)
Income tax paid	(607)	-
	<hr/>	<hr/>
Net cash flows provided by operating activities	1,210,264	780,527
	<hr/>	<hr/>
Cash flows from investing activities:		
Purchase of fixed assets	(612,221)	(935,516)
Proceeds from disposal of fixed assets	366,267	-
Purchase of club membership	(200,000)	-
Investment in associated company	(57,000)	(163,000)
Investment in subsidiary	(500,000)	-
	<hr/>	<hr/>
Net cash used in investing activities	(1,002,954)	(1,098,516)
	<hr/>	<hr/>
Cash flows from financing activities:		
Proceeds from issuance of shares	157,000	503,000
	<hr/>	<hr/>
Net cash provided by financing activities	157,000	503,000
	<hr/>	<hr/>
Net increase in cash and cash equivalents	364,310	185,011
Cash and cash equivalents at beginning of year	185,199	188
	<hr/>	<hr/>
Cash and cash equivalents at end of year	549,509	185,199
	<hr/> <hr/>	<hr/> <hr/>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2004

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. CORPORATE INFORMATION

The company is incorporated in Singapore and its registered office is situated at 6 Harper Road #02-01, Singapore. The principal activities of the company are those of film and video distributors and the provision of video filming and recording services.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been consistently applied by the company and are consistent with those used in the previous year.

(a) BASIS OF PREPARATION

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act. In previous year, the financial statements were prepared in accordance with Singapore Statements of Accounting Standard (SAS). The transition from SAS to FRS did not result in significant change in accounting policies.

The accounting policies have been consistently applied by the company and are consistent with those used in the previous year. The financial statements have been prepared on a historical cost basis. These financial statements are expressed in Singapore dollars.

(b) FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation of fixed assets is calculated on the straight-line method to write off the cost of fixed assets over their estimated useful lives which are as follows:-

Motor vehicles	5 years
Office equipment, air-conditioners and video recorders	3 years
Renovation, furniture and fittings	3 years

(c) STOCKS

Stocks are stated at the lower of cost and net realisable value as estimated by the directors. Cost is determined on the first-in first-out basis. In arriving at net realisable value, due allowance is made for all damaged, obsolete and slow-moving stocks as assessed and determined by directors.

(d) TRADE AND OTHER DEBTORS

Trade and other debtors are recognised and carried at original invoiced amount less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(e) TRADE AND OTHER CREDITORS

Liabilities for trade and other creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

(f) INCOME TAX

The tax expense is determined on the basis of tax effect accounting, using the liability method and is applied to all significant temporary differences. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

(g) INCOME RECOGNITION

Revenue from sale of distribution rights is recognised upon passage of title to customers.

SCORPIO EAST ENTERTAINMENT PTE. LTD.**NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2004**

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(h) SUBSIDIARY COMPANY**

Shares in subsidiary company are stated at cost, and provision for impairment loss is made if in the opinion of the directors, there has been a permanent decline in the value of the investment.

(i) ASSOCIATED COMPANY

An associated company is defined as a company not being a subsidiary, in which the company has a substantial interest of not less than 20% of the equity and in whose financial and operating policy decisions the company exercises significant influence.

Investment in associated company is stated at cost. Provision for impairment loss is made when, in the opinion of the directors, there has been a decline other than a temporary decline in the value of the investment.

(j) EMPLOYEE BENEFITS

Defined contribution plan

As required by law, the company makes contributions to the state pension scheme, the Central Provident Fund ("CPF"). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlement to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(k) IMPAIRMENT

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is only reversed 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. All reversals of impairment are recognised in the income statement.

(l) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents and other accounts receivable and payable. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

3. SHARE CAPITAL

During the financial year, the company issued 57,000 shares of \$1 each at par for cash to provide additional working capital and a further 100,000 shares of \$1 each at par consideration for which was satisfied through the conversion of loans granted to the company into shares.

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2004

4. FIXED ASSETS

	<u>Motor vehicles</u>	<u>Office equipment</u>	<u>Furniture & fittings</u>	<u>Other assets</u>	<u>Total</u>
<u>Cost</u>	\$	\$	\$	\$	\$
At 30.4.2003	805,500	52,089	29,810	48,117	935,516
Additions	438,454	67,184	19,871	86,712	612,221
Disposals	(462,954)	-	-	-	(462,954)
At 30.4.2004	781,000	119,273	49,681	134,829	1,084,783
<u>Accumulated depreciation</u>					
At 30.4.2003	56,067	4,773	6,242	2,578	69,660
Charge for the year	192,216	36,302	14,078	36,324	278,920
Disposals	(80,116)	-	-	-	(80,116)
At 30.4.2004	168,167	41,075	20,320	38,902	268,464
Charge for 2003	56,067	4,773	6,242	2,578	69,660
<u>Net book value</u>					
At 30.4.2004	612,833	78,198	29,361	95,927	816,319
At 30.4.2003	749,433	47,316	23,568	45,539	865,856

- a) Other assets comprised renovation, video recorders and air-conditioners.
b) Motor vehicles were purchased under hire purchase.

5. SUBSIDIARY COMPANY

	2004 \$	2003 \$
Unquoted shares, at cost	500,000	-
Loan	(400,000)	-
	100,000	-

The subsidiary company at 30 April 2004 is:-

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the group	
		2004 \$	2003 \$	2004 %	2003 %
Held by the company:					
Scorpio East Multimedia Pte Ltd (Singapore)	Manufacture and replication of VCD and DVD (Singapore)	500,000	-	100	-

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2004

5. SUBSIDIARY COMPANY (cont'd)

The company has not consolidated the financial statements of the subsidiary with these financial statements required under Financial Reporting Standard, FRS No. 27, as the subsidiary company was newly formed and was only incorporated on 24 December 2003.

6. ASSOCIATED COMPANY

	2004 \$	2003 \$
Unquoted shares, at cost	220,000	163,000
Loan	30,000	30,000
	-----	-----
	250,000	193,000
	=====	=====

- a) The associated company is Infodisc Multimedia Manufacturing Pte Ltd, a company incorporated in Singapore. Its activities are the manufacturing of disk media. The percentage of equity held by the company is 33.33% (2003: 33.33).
- b) The loan is unsecured and interest-free with no fixed terms of repayment.
- c) The company has not adopted equity accounting to include its share of the results of the associated company as the company had no intentions to hold it for the long-term. Its interest in the shares of the associated company was sold to director, Ho Ah Huat, for \$220,000 in May 2004.

7. OTHER DEBTORS

	2004 \$	2003 \$
Deposits	242,236	46,444
Sundry debtors	-	2,500
Prepayments	663,970	774,714
	-----	-----
	906,206	823,658
	=====	=====

8. OTHER CREDITORS

	2004 \$	2003 \$
Deposits received	918,372	1,258,991
Billings in advance	-	368,138
Sundry creditors	149,695	5,000
	-----	-----
	1,068,067	1,632,129
	=====	=====

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2004

9. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	2004 \$	2003 \$
Minimum lease payments due:		
within one year	100,632	127,241
within two to five years	402,528	370,020
after five years	257,037	345,025
	<u>760,197</u>	<u>842,286</u>
Financial charges allocated to future periods	(139,414)	(164,692)
	<u>620,783</u> =====	<u>677,594</u> =====

10. TURNOVER

Turnover represents invoiced value of distribution rights sold after allowance for discounts.

11. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after charging/(crediting):-

	2004 \$	2003 \$
Auditors' remuneration		
- current	6,000	3,500
- overprovision in previous year	(500)	-
Depreciation of fixed assets	278,920	69,660
Directors' fees	90,000	39,960
Directors' remuneration	434,760	19,530
Hire purchase interest	32,444	5,414
Loss on disposal of fixed assets	16,571	-
	<u>620,783</u> =====	<u>677,594</u> =====

12. TAXATION

	2004 \$	2003 \$
Provision for taxation in respect of profit for the year	139,000	-
Underprovision in previous year	607	-
	<u>139,607</u> =====	<u>-</u> =====

13. RELATED PARTY TRANSACTIONS

Significant transactions entered during the financial year with the associated company, at terms agreed between the parties, are purchases totalling \$888,020 (2003: \$77,479).

SCORPIO EAST ENTERTAINMENT PTE. LTD.

NOTES TO THE FINANCIAL STATEMENTS - 30 APRIL 2004

14. EMPLOYEE COSTS AND NUMBER

	2004	2003
	\$	\$
Cost of employees:		
Salaries and bonuses	746,019	189,394
Central Provident Fund contributions	80,471	25,010
	<u>826,490</u>	<u>214,404</u>
	=====	=====
Number of employees	33	20
	===	===

15. SUBSEQUENT EVENT

Subsequent to year-end, the company issue 90,000 shares of \$1 each at par for cash to provide additional working capital.

16. FINANCIAL RISK MANAGEMENT AND POLICIES

The main risks arising from the company's financial instruments are foreign currency and credit risks. The company reviews and agrees policies for managing each of these risks.

Foreign currency risk

The company incurs foreign currency risk on the financial instruments which are denominated in currencies other than Singapore dollars. The company does not hedge against the risk of foreign currency fluctuations as the risk is considered manageable.

Credit risk

The carrying amount of trade and other debtors represents the company's maximum exposure to credit risk.

The company has no significant concentration of credit risk as at end of the financial year.

Fair values of financial instruments

The carrying amounts of the financial assets and financial liabilities of the company approximate their fair values.

EXTRACTS OF MEMORANDUM AND ARTICLES OF ASSOCIATION OF OUR COMPANY

The description below provides, among other things, information on the principal objects of our Company as set out in our Memorandum and Articles of Association and a summarised version of the main provisions in our Articles of Association which relate to the Directors' borrowing powers and remuneration, Directors' retirement and restrictions on voting powers of Directors in interested transactions. It also describes shareholders' voting rights, restrictions on the transferability of shareholdings and shareholders' rights to share in any surplus in the event of liquidation. Also included is a description of how we conduct our general meetings and the provisions relating to changes in the capital of our Company. This description is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

Place of incorporation

We are registered in Singapore with the Accounting and Corporate Regulatory Authority. Our company registration number is 200415164G.

Our objects as contained in our Memorandum of Association

The main object of our Company as set out in our Memorandum of Association is to carry on the business of a holding company and for that purpose in particular to invest and deal with moneys of the Company, and the powers of our Company, including the powers set out in the First Schedule to the Companies Act.

The objects of our Company are set out in full in Clause 3 of our Memorandum of Association which is available for inspection at our registered office during normal business hours for a period of six months from the date of this Prospectus.

Extract of our Articles of Association

Provisions relating to Directors

- (a) *Power to vote on a proposal, arrangement or contract in which the director is materially interested*

Article 105(1)

A Director who is in any way whether directly or indirectly interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors in accordance with Section 156 of the Act.

Article 105(2)

A Director shall not vote in respect of any contract or proposed contract or arrangement with the Company in which he has directly or indirectly a personal material interest and if he shall do so his vote shall not be counted nor save as provided by Article 106 shall he be counted in the quorum present at the meeting.

Article 105(3)

A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as a vendor, purchaser or otherwise. Subject to this Article 105, no such contract and no contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested shall be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Article 106

Subject to Article 105(2) above, a Director notwithstanding his interest may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged.

- (b) *Directors' power to vote for compensation to themselves or any members of their body in the absence of an independent quorum*

Article 101(3)

An alternate Director shall be entitled to contract and be interested in and benefit from contracts, arrangements or transactions to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company any remuneration in respect of his appointment as alternate Director except only such part (if any) of the remuneration otherwise payable to his appointor in which event any fee paid by the Company to an alternate Director shall be deducted from the fees of the Director appointing the alternate.

Article 102(1)

The Directors shall be entitled to receive by way of fees for their services as Directors in each year such sum as shall from time to time, subject to Section 169 of the Act, be determined by the Company by resolution passed at a General Meeting, the notice of which shall specify the proposals concerning the same. Such remuneration shall be divided amongst the Directors as they shall determine or failing agreement equally.

Article 102(2)

The fees payable to the Directors shall not be increased except pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the Meeting.

Article 102(3)

The remuneration of a non-executive Director shall be by a fixed sum and not by a commission on or percentage of profits or turnover. The remuneration of an executive Director may not include a commission on or a percentage of turnover.

Article 102(4)

The provisions of this Article are without prejudice to the power of the Directors to appoint any of their number to be employee or agent of the Company at such remuneration and upon such terms as they think fit without the approval of the Members in General Meeting provided that such remuneration may include a commission on or percentage of profits but not a commission on or percentage of turnover.

Article 102(5)

Subject to the provisions of the Statutes, the Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.

Article 103

If any Director, being willing and having been called upon to do so, shall hold an executive office in the Company, shall render or perform extra or special services of any kind, including services on any committee established by the Directors, or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Directors may think fit for expenses, and also such remuneration as the Directors may think fit, either as a fixed sum or as provided in Article 102(3) (but not by way of commission on or percentage of turnover) and

such remuneration may, as the Directors shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive, and the same shall be charged as part of the ordinary working expenses of the Company.

Article 105(3)

A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as a vendor, purchaser or otherwise. Subject to this Article 105, no such contract and no contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested shall be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

Article 114

The Directors shall (subject to the provisions of any contract between the Managing Director or person holding an equivalent position and the Company) from time to time fix the remuneration of the Managing Director or person holding an equivalent position which may be by way of fixed salary, commission or participation in profits (but not turnover) of the Company or by any or all of these modes.

(c) *Borrowing powers exercisable by the Directors and how such borrowing powers can be varied*

Article 62

The Directors may, from time to time, exercise all the powers of the Company to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company.

Article 63

The Directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and, in particular, by the issue of debentures or debenture stock of the Company, perpetual or otherwise, charged upon or by mortgage charge or lien of and on the undertaking of the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being, or by making, accepting, endorsing or executing any cheque, promissory note or bill of exchange.

(d) *Retirement or non-retirement of directors under an age limit requirement*

Article 98

Until otherwise determined by a Special Resolution at a General Meeting, the number of Directors shall not be less than three or more than eleven. All the Directors of the Company shall be natural persons.

Article 101(1)

Any Director may at any time and from time to time appoint any other person approved by a majority of the Directors for the time being to be his alternate. An alternate Director shall be entitled (subject to his giving to the Company an address within the Republic of Singapore at which notices may be served on him) to receive notice of meetings of the Directors and to attend and vote as a Director at any such meeting at which the Director appointing him is not present, and generally at such meeting to exercise all the powers, rights, duties and authorities of the Director appointing him. Every person acting as an alternate Director shall be an officer of the Company and shall alone be responsible to the Company for his own acts and defaults and he shall not be deemed to be the agent of or for the Director appointing him. All the appointments and removals of alternate Directors made by any Director in pursuance of this Article, shall be in writing under the hand of the Director making the same and shall be sent to or left at the Office.

A Director may not act as an alternate for another Director. A person may not act as an alternate Director for more than one Director of the Company.

Article 101(2)

An alternate Director may be removed by his appointor and (subject to the approval of the Directors) may appoint another in his place. An alternate Director may be removed from office by a resolution of the Directors, but he shall be entitled to vote on such resolution and he shall, ipso facto, cease to be an alternate Director if his appointor ceases for any reason to be a Director. The appointment of an alternate Director shall also determine on the happening of any event which, if he were a Director, would cause him to vacate such office.

Article 104(1)

The office of a Director shall be vacant if the Director:

- (a) ceases to be a Director by virtue of the Statutes; or
- (b) becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (c) is or becomes prohibited from being a Director by reason of any order made under the Statutes; or
- (d) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under any law relating to mental disorder; or
- (e) resigns his office by notice in writing to the Company; or
- (f) for more than six months is absent without permission of the Directors from meetings of the Directors held during that period and his alternate Director (if any) shall not during such period have attended in his stead; or
- (g) is directly or indirectly interested in any contract or proposed contract with the Company and fails to declare the nature of his interest in manner required by the Statutes; or
- (h) is removed from office pursuant to the Statutes.

Article 104(2)

The appointment of any Director to the office of Managing or Joint Managing Director or equivalent position shall automatically terminate if he ceases to be a Director but without prejudice to any claim for any damage or breach of any contract of service between him and the Company.

Article 104(3)

The appointment of any Director to any other executive office shall automatically terminate if he ceases from any cause to be a Director only if the contract or resolution under which he holds office expressly so provides, in which case such termination shall be without prejudice to any claim for damages or breach of any contract of service between him and the Company.

Article 107

An election of Directors shall take place each year in accordance with the provisions hereinafter contained. At the Annual General Meeting in every year one-third of the Directors for the time being (other than the Managing Director or a Director holding an equivalent position), or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office Provided Always that all Directors (except the Managing Director or a Director holding an equivalent position) shall retire from office at least once every three years.

Article 108

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Article 109

Subject to the Statutes, a retiring Director shall be eligible for re-election at the meeting at which he retires.

(e) *Number of Shares, if any, required for Director's qualification*

Article 100

A Director shall not be required to hold any share in the Company.

(f) *Nomination of Directors*

Article 110

No person not being a retiring Director shall be eligible for election to the office of Director at any General Meeting unless some Member intending to propose him has, at least eleven clear days before the meeting, left at the Office a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him Provided Always that in the case of a person recommended by the Directors for election, nine clear days' notice only shall be necessary, and notice of each and every candidate for election to the board of Directors shall be served on the Members at least seven days prior to the meeting at which the election is to take place.

Article 111

The Company by Special Resolution in General Meeting may, from time to time, increase or reduce the number of Directors, and may alter their qualification, if any.

Article 112

The Directors may from time to time appoint one or more of their body to the office of Managing Director or equivalent position for such period (not exceeding five years) and on such terms as they think fit, and subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A Managing Director or a person holding an equivalent position shall be subject to the control of the Directors. A Director so appointed shall not, while holding that office be subject to retirement but his appointment shall be automatically determined if he ceases from any cause to be a Director.

Article 117

The Directors shall have power at any time and from time to time to appoint any other qualified person as a Director either to fill a casual vacancy or as an addition to the Board. But any Director so appointed shall hold office only until the next Annual General Meeting of the Company, and shall be eligible for re-election.

Article 118

The Company may from time to time by Ordinary Resolution remove any Director before the expiration of his period of office, and may by an Ordinary Resolution appoint another person in his stead. The person so appointed shall continue to hold office until the next Annual General Meeting.

Article 125

The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to these Articles, the continuing Directors may, except in an emergency, act for the purpose of increasing the number of Directors to that number, or of summoning a General Meeting of the Company, notwithstanding that there shall not be a quorum, but for no other purpose.

Provisions relating to Shares

(a) *Dividend rights*

Article 135

The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles as to the reserve fund shall be divisible among the Members in proportion to the amount of capital paid-up on the shares held by them respectively.

Article 136

The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.

Article 137

No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest.

Article 138

The declaration of the Directors as to the net profits of the Company shall be conclusive.

Article 139

The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months.

Article 140

The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

Article 141

A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.

Article 142

Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such specific assets, or any part thereof and may determine that cash payment shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.

Article 143

The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.

Article 144

In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares.

Article 145

Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.

Article 146

Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or person(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.

Article 147

The Depository will hold all dividend unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed.

(b) *Voting rights*

Article 10

Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

Article 13(3)

The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.

Article 80

At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:

- (a) the Chairman of the meeting; or
- (b) not less than two Members present in person or by proxy and entitled to vote; or
- (c) a Member or Members present in person or by proxy, holding or representing, as the case may be:
 - (i) not less than one-tenth of the total voting rights of all Members entitled to vote at the meeting; or
 - (ii) shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid-up equal to not less than one-tenth of the total sum paid-up on all the shares conferring that right.

Article 81(1)

If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

Article 81(2)

No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.

Article 82

Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Article 83(1)

No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

Article 83(2)

If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting.

Article 84

In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote.

Article 85(1)

Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company:

- (a) every Member who is present in person or by proxy shall have one vote on a show of hands, the Chairman shall be entitled to treat the first named proxy as the authorised representative to vote where a Member is represented by two proxies; and
- (b) every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.

Article 85(2)

For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.

Article 86

In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.

Article 87

Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.

Article 88

A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.

Article 89

On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Article 90(1)

A proxy need not be a Member.

Article 90(2)

A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, the Company shall be entitled and bound:

- (a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company;
- (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the

Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and

- (c) in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

Article 90(3)

In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

Article 91

Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of the Company or any class of Members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder.

Article 92

An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:

- (1) in the case of an individual shall be signed by the appointor or his attorney;
- (2) in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

Article 93

Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

Article 94

The signature on an instrument of proxy need not be witnessed.

Article 95

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting.

Article 96

An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.

Article 97

Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

(c) *Right to share in the Company's profits*

Article 148(1)

The Company in General Meeting may, upon the recommendation of the Directors, resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of the Company's reserve funds or to the credit of the profit and loss account or otherwise available for distribution; and accordingly that such sum be set free for distribution amongst the holders of shares in the Register or in the Depository Register, as the case may be, who would have been entitled thereto if distributed by way of dividends and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such Members respectively or paying up on full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid-up to and amongst such holders or in their nominees in the proportion aforesaid or partly in the one way and partly in the other and the Directors shall give effect to such resolution Provided Always that a capital redemption reserve fund may, for the purpose of this Article, only be applied in the paying up of unissued shares to be issued to such holders as fully paid bonus shares unless otherwise permitted by the provisions of the Act.

Article 148(2)

Whenever such resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the amounts resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register or in the Depository Register, as the case may be, under such resolution to a fractional part of a share by the issue of fractional certificates or by payment in cash or otherwise as they think fit and also to authorise any persons to enter on behalf of such holders entitled thereto or their nominees into an agreement with the Company providing for the allotment to them respectively credited as fully paid-up of any further shares to which they may be entitled upon such capitalisation; and any agreement made under such authority shall be effective and binding on all such holders and their nominees.

(d) *Right to share in any surplus in the event of liquidation*

Article 169

If the Company shall be wound up, and the assets available for distribution among the Members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid-up, or which ought to have been paid-up, at the commencement of the winding up, on the shares held by them respectively. And if in a winding up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding up, the excess shall be distributed amongst the Members in proportion to the capital at the commencement of the winding up paid-up or which ought to have been paid-up on the shares held by them respectively. But this Article is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

Article 170

If the Company shall be wound up, the liquidators may, with the sanction of a Special Resolution, divide among the Members in specie any part of the assets of the Company and any such division may be otherwise than in accordance with the existing rights of the Members, but so that if any division is resolved or otherwise than in accordance with such rights, the Members shall have the same right of dissent and consequential rights as if such resolution were a Special Resolution passed pursuant to Section 306 of the Act. A Special Resolution sanctioning a transfer or sale to

another company duly passed pursuant to the said Section may in like manner authorise the distribution of any share or other consideration receivable by the Liquidators amongst the Members otherwise than in accordance with their existing rights; and any such determination, shall be binding upon all the Members subject to the right of dissent and consequential rights conferred by the said Section.

Article 171

On the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been ratified by the Members. The amount of such payment shall be notified to all Members at least seven days prior to the meeting at which it is to be considered.

(e) *Redemption provisions*

Article 60(2)

The Company may by Special Resolution reduce its share capital, any capital redemption reserve fund or share premium account in any manner and with and subject to any requirement authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Act, the nominal amount of the issued ordinary share capital of the Company shall be diminished by the nominal amount of the share so cancelled.

(f) *Sinking fund provisions*

Article 149

The Directors may, before declaring any dividend or bonus in respect of any class of shares out of or in respect of the earnings or profits of the Company for any yearly or other period, cause to be reserved or retained and set aside out of such sums as they may determine to form a Reserve Fund to meet contingencies or depreciation in the value of the property of the Company, or for equalising dividends or for special dividends or for distribution of bonuses or for repairing, improving and maintaining any of the property of the Company, or for such other purposes the Directors shall, in their absolute discretion, think conducive to the interest of the Company.

(g) *Liability to further capital calls by the Company*

Article 26

The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares or on any class of shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to his having been given at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.

Article 27

The joint holders of a share shall be jointly and severally liable to pay all calls and interest (if any) in respect thereof.

Article 28

If before or on the day appointed for payment thereof a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at the rate of eight per cent. per annum from the day appointed for payment thereof to the time of actual payment, but the Directors shall have power to waive payment of such interest or any part thereof.

Article 29

Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date whether on account of the nominal value of the share or by way of premium and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the other relevant provisions of these Articles or the Statutes shall apply as if such sum were a call duly made and notified as hereby provided.

Article 30

The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.

Article 31

The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent. per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits.

- (h) *Discrimination against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares*

There is no provision relating to such discrimination in our Articles of Association.

- (i) *Change in Capital*

Article 56

The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company by the resolution authorising such increase shall direct.

Article 57(1)

Unless otherwise determined by the Company in General Meeting or except as permitted by the listing rules of the Exchange, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled.

Article 57(2)

The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.

Article 58

Notwithstanding Article 56 above, the Company may pursuant to Section 161 of the Act by Ordinary Resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to issue shares whether by way of rights, bonus or otherwise, and make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, and (notwithstanding the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force, provided that:

- (a) the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) does not exceed fifty per cent. (or such other limit as may be prescribed by the Exchange) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the Members of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) does not exceed twenty per cent. (or such other limit as may be prescribed by the Exchange) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (b) below);
- (b) (subject to such manner of calculation as may be prescribed by the Exchange) for the purpose of determining the aggregate number of shares that may be issued under subparagraph (a) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time that the Ordinary Resolution is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time that the Ordinary Resolution is passed, and any subsequent consolidation or subdivision of shares provided that if a general mandate is obtained before the listing of the Company on the Exchange, the percentage of issued share capital shall be based on the post-invitation issued share capital of the Company after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time such authority is given, and for any consolidation or subdivision of shares; and
- (c) unless previously revoked or varied by the Company in General Meeting, such authority conferred by the Ordinary Resolution shall not continue beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

Article 59

Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.

Article 60(1)

The Company may by Ordinary Resolution:

- (a) consolidate and divide its capital into shares of larger amount than its existing shares; or
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; or
- (c) by subdivision of its existing shares or any of them divide its capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association. The resolution by which the subdivision is effected may determine that, as between the holders of the

resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or

- (d) subject to the Statutes, convert any class of shares into any other class of shares.

Article 60(2)

The Company may by Special Resolution reduce its share capital, any capital redemption reserve fund or share premium account in any manner and with and subject to any requirement authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Articles and the Act, the nominal amount of the issued ordinary share capital of the Company shall be diminished by the nominal amount of the share so cancelled.

- (j) *Variation of Shareholders' rights*

Article 9

Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of the Company shall *mutatis mutandis* apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.

Article 61

Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as well before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.

- (k) *Arrangements for transfer and any restrictions on the free transferability of the shares*

Article 40

Save as provided by these Articles, there shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof by an instrument of transfer in the form approved by the Directors and the Exchange. The instrument of transfer shall be left at the Office accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the

transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.

Article 41

The instrument of transfer shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.

Article 42

Shares of different classes shall not be comprised in the same instrument of transfer.

Article 43

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Article 44

All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.

Article 45

The Directors may decline to accept any instrument of transfer unless:

- (a) all or any part of the stamp duty (if any) payable on each share transfer is paid to the Company; and
- (b) such fee not exceeding two Singapore Dollars as the Directors may from time to time determine or such other sum as may from time to time be prescribed by the Exchange is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.

Article 46

The Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:

- (a) which are not fully paid-up; or
- (b) on which the Company has a lien.

Article 47

If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within one month beginning with the day on which the transfer was lodged with the Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal.

Article 48

The Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.

(l) *Necessary actions to change the rights of holders of the stock*

There is no provision relating to the necessary actions to change the rights of holders of the stock in our Articles of Association.

(m) *General meetings*

Article 66

In addition to any other meetings, a General Meeting shall be held at least once in every calendar year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings.

Article 67

The abovementioned General Meetings shall be called Annual General Meetings. All other General Meetings shall be called Extraordinary General Meetings.

Article 68

The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine.

Article 69

The Directors may call an Extraordinary General Meeting of the Company whenever they think fit in accordance with the Statutes.

Article 70

The Directors shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary General Meeting of the Company, and in the case of such requisition the following provisions shall have effect:

- (a) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Office, and may consist of several documents in like form each signed by one or more requisitionists.
- (b) If the Directors of the Company do not proceed to cause a meeting to be held within twenty-one days from the date of the requisition being so deposited, the requisitionists or any of them representing more than one-half of the voting rights of all of them may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.
- (c) In the case of a meeting at which a resolution is to be proposed as a Special Resolution the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by the Statutes.
- (d) Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.

Article 71

Subject to the Statutes relating to the convening of meetings to pass Special Resolutions, at least fourteen days' notice specifying the place, day and hour of the meeting, and in case of special business, a notice setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members other than such as are not entitled under these Articles to receive such notices from the Company. At least fourteen days' notice in writing of any General Meeting shall be given and at least twenty-one days' notice in writing in the case of a Meeting to pass Special Resolution shall be given to the Exchange. Every such notice shall be published in at least one English Language daily newspaper circulating in Singapore at least fourteen days before the meeting. Whenever any meeting is adjourned for fourteen days or more, at least seven days'

notice of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

(n) *Limitations on rights to hold or exercise voting rights on ordinary shares*

There are no limitations imposed by Singapore law or by our Articles of Association on the rights of Shareholders to hold or exercise voting rights on our ordinary shares.

(o) *Delaying, deferring or preventing change in control of the Company*

There is no provision in our Articles of Association which would have an effect of delaying, deferring or preventing a change in control of the Company and which would operate only with respect to a merger, acquisition or corporate restructuring involving the Company.

DESCRIPTION OF OUR SHARES

The following statements are brief summaries of the rights and privileges of our Shareholders conferred by the laws of Singapore, the Listing Manual and our Articles of Association (“Articles”). These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which is available for inspection at our registered office during normal business hours for a period of six months from the date of this Prospectus.

Ordinary Shares

All of our Shares are in registered form. We may, subject to the provisions of the Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a pro rata basis to our Shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company’s issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

Shareholders

Only persons who are registered in our Register of Shareholders and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Shareholders for any time or times if we provide the Registrar of Companies and Businesses with at least 14 days’ notice and the SGX-ST at least 10 clear Market Days’ notice. However, the Register of Shareholders may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Shareholders to determine shareholders’ entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed S\$2 and furnishes any evidence and indemnity that our Board of Directors may require.

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if shareholders representing not less than 10% of the total voting rights of all shareholders request in writing that such a meeting be held. In addition, two or more shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be shareholders. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a Shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by two proxies, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid *pro rata* among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issue

Our Board of Directors may, with approval of our shareholders at a general meeting, capitalise any reserves or profits (including profits or moneys carried and standing to any reserve) and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings. Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

Takeovers

Under the Singapore Code on Take-overs and Mergers ("Singapore Take-over Code"), issued by the Authority pursuant to section 321 of the SFA, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30% and 50% of the voting shares acquires additional voting shares representing more than 1% of the voting shares in any 6 month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:

- (a) the following companies:
 - (i) a company
 - (ii) the parent company of (i);
 - (iii) the subsidiaries of (i);
 - (iv) the fellow subsidiaries of (i);
 - (v) the associated companies of (i), (ii), (iii) or (iv); and
 - (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);
- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:
 - (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and
 - (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10% or more of the customer's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) the following persons and entities:
 - (i) an individual;
 - (ii) the close relatives of (i);
 - (iii) the related trusts of (i);
 - (iv) any person who is accustomed to act in accordance with the instructions of (i); and
 - (v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding 6 months.

Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

Limitations on Rights to Hold or Vote Shares

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Act, which gives the Singapore courts a general power to make any order, upon application by any of our shareholders, as they think fit to remedy any of the following situations where:

- (a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our shareholders; or
- (b) we take an action, or threaten to take an action, or our shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, the Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of our affairs in the future;
- (c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority shareholder's Shares by our other shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- (e) provide that we be wound up.

SINGAPORE TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of our Shares. Prospective purchasers of our Shares should consult their own tax advisors concerning the tax consequences of their particular situations. This description is based on laws, regulations and interpretations now in effect and available as of the date of this Prospectus. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

The following discussion describes the material Singapore income tax, capital gains tax, stamp duty, estate duty and goods and services tax consequences of the purchase, ownership and disposal of our Shares.

INCOME TAX

General

Individual income tax

Singapore tax-resident individual taxpayers are subject to Singapore income tax on income accrued in or derived from Singapore, subject to certain exceptions.

All foreign-sourced income received or deemed received in Singapore by a Singapore tax resident individual (except where such income is received through a partnership in Singapore) on or after 1 January 2004 will be exempt from income tax in Singapore.

Singapore tax resident individuals are subject to tax based on progressive rates, currently ranging from 0% to 22% (for Years of Assessment 2003 to 2005). The Minister for Finance has, in the 2005 Budget Statement on 18 February 2005, proposed to reduce the top marginal personal income tax rate from 22% to 21% for the Year of Assessment 2006 and then to 20% from the Year of Assessment 2007, with corresponding reductions in marginal tax rates for all the other income tax brackets.

Non-Singapore tax resident individuals are only subject to Singapore income tax on income accrued in or derived from Singapore. Such income are generally subject to tax at a rate equivalent to the prevailing corporate tax rate, subject to certain exceptions.

An individual is regarded as a tax resident in Singapore if he ordinarily resides in Singapore (except for temporary absences from Singapore) or if he is physically present or exercised an employment (other than as a director of a company) in Singapore for 183 days or more during the calendar year preceding the year of assessment.

Corporate income tax

A Singapore resident corporate taxpayer, is subject to Singapore income tax on income accrued in or derived from Singapore and on foreign income received or deemed received in Singapore.

Foreign income in the form of dividends, branch profits and service income ("specified foreign income") received or deemed received in Singapore on or after 1 June 2003 by a Singapore resident taxpayer is, however, tax-exempt if:

- (a) such income is subject to tax of a similar character to income tax under the law of the jurisdiction from which such income is received;
- (b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax in the jurisdiction from which the income is received is at least 15%; and
- (c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign income.

With effect from 30 July 2004, the above exemption has been extended to include specified foreign income which is exempted from tax of a similar character to income tax as a result of tax incentive granted by a foreign jurisdiction for carrying out substantive activities in that foreign jurisdiction.

Foreign dividends which do not meet the above conditions would continue to be subject to Singapore income tax with credit being allowed on any foreign tax paid by the dividend paying company.

A non-Singapore tax resident corporate taxpayer is subject to Singapore income tax on income accruing in or derived from Singapore and subject to certain exceptions, on foreign income received or deemed received in Singapore.

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore

The corporate tax rate in Singapore is 20% from the Year of Assessment 2005 (ie. for financial year ended 2004). In addition, 75% of the first S\$10,000 of the company's chargeable income, and 50% of up to the next S\$90,000 is exempt from corporate tax. The remaining chargeable income (after partial tax exemption) will be taxed at 20%. The above tax exemption does not apply to normal Singapore franked dividends received by companies.

For qualifying newly incorporated Singapore companies, the first S\$100,000 of their normal chargeable income (excluding Singapore dividends) for each of their first three consecutive years of assessment that falls within Years of Assessment 2005 to 2009 would be exempt from tax.

Gains on disposal of the Shares

Singapore currently does not impose tax on capital gains. However, gains or profits may be considered to be of an income nature and subject to tax, especially if they arise from activities which the IRAS regards as carrying on of a trade or business in Singapore.

Thus, any gains or profits from the disposal of our Shares should not be taxable in Singapore unless the seller is regarded as carrying on a trade or business in dealing or trading in shares in Singapore, in which case, the disposal gains or profits would be taxable as trading profits

Dividend Distributions

Singapore currently adopts the one-tier corporate tax system. The tax collected from corporate profits is final and any Singapore dividends paid by a Singapore resident company under the one-tier corporate tax system (one-tier dividends) are tax exempt in the hands of both the corporate and individual shareholders regardless of whether the shareholder is a Singapore tax resident. Such dividends are unfranked with no tax credit attached.

However, foreign Shareholders are advised to consult their own tax advisors to take into account the tax laws of their respective countries of residence and the existence of any double taxation agreement which their country of residence may have with Singapore.

SINGAPORE STAMP DUTY

There is no stamp duty payable on the allotment or holding of our shares.

Stamp duty is payable in Singapore on an instrument of transfer of our Shares at the rate of S\$0.20 for every S\$100 or any part thereof of the consideration for our Shares. The purchaser is liable for stamp duty, unless there is an agreement to the contrary. However, no stamp duty is payable if no instrument of transfer is executed or if the instrument of transfer is executed outside Singapore. However, stamp duty would be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

Stamp duty is, however, not applicable to electronic transfers of the shares through the system of CDP.

SINGAPORE ESTATE DUTIES

Singapore estate duty is imposed on the value of immovable property situated in Singapore owned by an individual who was at the time of death not domiciled in Singapore, subject to specific exemption limits. Movable assets of an individual who at the time of death was not domiciled in Singapore are exempt from estate duty irrespective of where such movable properties are located.

Singapore estate duty is imposed on the value of immovable property situated in Singapore and on movable property, wherever it may be situated, owned by an individual who was at the time of death domiciled in Singapore, subject to specific exemption limits. Our Shares are considered to be movable property situated in Singapore as our Company is a company incorporated in Singapore.

Singapore estate duty is payable to the extent that the value of the shares aggregated with other assets subject to Singapore estate duty exceeds S\$600,000. Unless other exemption limits apply to other assets, for example, the separate exemption limit for residential properties, any excess beyond S\$600,000 will be taxed at 5% on the first S\$12,000,000 of the individual's Singapore dutiable assets and thereafter at 10%.

GOODS AND SERVICES TAX ("GST")

The sale of shares by a GST-registered investor belonging in Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt supply would not be recoverable from the Singapore Comptroller of GST.

Where shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by him to a person belonging outside Singapore and that person is outside Singapore when the sale is executed, the sale of the shares should generally, subject to satisfaction of certain conditions, be considered a taxable sale subject to GST at 0%. Any GST incurred by a GST-registered investor in the making of this supply in the course of or furtherance of a business carried on by him may be recovered from the Singapore Comptroller of GST.

Charges on brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor purchase, sale or holding of the shares will be subject to GST at the current rate of 5%. Similar services rendered to an investor belonging outside Singapore would generally be subject to GST at 0%.

Prospective purchasers of the Shares who are individuals, whether or not domiciled in Singapore, should consult their own tax advisors regarding the Singapore tax and estate duty consequences of their ownership of our Shares.

TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply for and/or purchase the Invitation Shares at the Invitation Price for each Invitation Share subject to the following terms and conditions:–

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF INVITATION SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of printed Offer Shares Application Forms or by way of Electronic Applications through ATMs of the Participating Banks (“ATM Electronic Applications”) or through Internet Banking (“IB”) websites of the relevant Participating Banks (“Internet Electronic Applications” which, together with ATM Electronic Applications, shall be referred to as “Electronic Applications”).

Your application for the Placement Shares (other than the Reserved Shares) may only be made by way of printed BLUE Placement Shares Application Forms.

Your application for the Reserved Shares may only be made by way of printed PINK Reserved Shares Application Forms.

YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE INVITATION SHARES.

3. **You are allowed to submit only one application in your own name for the Offer Shares or the Placement Shares (other than Reserved Shares). If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.**

If you submit an application for Offer Shares by way of Internet Electronic Application, you MAY NOT submit another application for Offer Shares by way of ATM Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.

If you have made an application for Placement Shares (other than Reserved Shares), you should not make any application for Offer Shares either by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company. Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of an Application Form, you may not make any application for Placement Shares (other than Reserved Shares) by way of an Application Form. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.

If you (being other than an approved nominee company) have submitted an application in your own name, you should not submit any other application whether by way of an Application Form or by way of an Electronic Application for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.

If you have made an application for Reserved Shares, you may submit ONE separate application for the Offer Shares in your own name by way of an Application Form or by way of an Electronic Application or submit one separate application for Placement Shares (other than Reserved Shares) by way of an Application Form provided that you adhere to the terms and conditions of this Prospectus. Such separate applications shall not be treated as multiple applications.

Joint applications shall be rejected. Multiple applications for Invitation Shares may be rejected at the discretion of our Company and the Vendors. If you submit or procure submissions of multiple share applications whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares, you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company and the Vendors.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships or non-corporate bodies, joint Securities Account holders of CDP or from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased name at the time of application.
5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.
6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars, such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondence from CDP will be sent to your address last registered with CDP.**
9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance. We further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the terms and conditions of this Prospectus and also to present for payment or other**

processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

10. We reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefore, and we will not entertain any enquiry and/or correspondence on our decision. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation which will be at our discretion, we will give due consideration to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP or its nominee and will be forwarded only to CDP or its nominees. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of New Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by us. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event of an under-subscription of Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for shall be made available to satisfy applications for Placement Shares to the extent that there is excess demand for Placement Shares as at the close of the Application List.

In the event of an under-subscription of Placement Shares (other than Reserved Shares) as at the close of the Application List, that number of Placement Shares under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription of Offer Shares as at the close of the Application List.

In the event any of the Reserved Shares are not taken up, they will first be made available to satisfy applications for the other Placement Shares to the extent that there is excess demand for such other Placement Shares at the close of the Application List or, in the event there is an under-subscription for the Placement Shares to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription of the Offer Shares as at the close of the Application List.

In the event of an over-subscription of Offer Shares as at the close of the Application List and the Placement Shares are fully subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors and the Vendors and approved by the SGX-ST.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to the Company, the Vendors, the Manager, the Underwriter, the Placement Agent and any other parties authorised by CDP, the Company, the Vendors, the Manager, the Underwriter and/or the Placement Agent.
14. Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application, or for the Placement Shares through the Placement Agent.
15. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant key on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:–

- (a) irrevocably offer to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of this Prospectus and on the terms of the conditions set out in this Prospectus and the Memorandum and Articles of Association of our Company;
 - (b) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those in the ATMs or the IB websites of the relevant Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
 - (c) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to the Company and/or the Vendors forthwith;
 - (d) warrant the truth and accuracy of the information provided in your application, and acknowledge and agree that such information, representations and declarations will be relied on by us in determining whether to accept your application and/or whether to allocate any Invitation Shares to you;
 - (e) agree and warrant that, if the law of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of us, the Manager, the Underwriter or the Placement Agent will infringe any such laws as a result of the acceptance of your application; and
 - (f) consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF Investment Account Number (if applicable) and the share application amount from your account with the relevant Participating Bank to our Share Registrar, SCCS, SGX-ST, CDP, CPF, our Company, the Vendors and the Manager.
16. Our acceptance of applications will be conditional upon, *inter alia*, we being satisfied that:–
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the New Shares on the SGX-ST;
 - (b) the Management Agreement, the Underwriting Agreement and the Placement Agreement referred to on pages 29 and 30 of this Prospectus have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine; and
 - (c) the Authority has not served a stop order which directs that no or no further shares to which this Prospectus relates be allotted or allocated.
17. We will not hold any application in reserve.
18. We will not allot and/or allocate Shares on the basis of this Prospectus later than six months after the Latest Practicable Date.
19. Additional terms and conditions for applications by way of Application Forms are set out on pages H-4 to H-8 of this Prospectus.
20. Additional terms and conditions for applications by way of Electronic Applications are set out on pages H-8 to H-15 of this Prospectus.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of Application Forms shall be made on and subject to the terms and conditions of this Prospectus, including but not limited to the terms and conditions appearing below as well as those set out under the section on “TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE” on pages H-1 to H-4 of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

- (1) Your application must be made using the **WHITE** Application Forms for Offer Shares or the **BLUE** Application Forms for the Placement Shares (other than Reserved Shares) or **PINK** Application Forms for the Reserved Shares accompanying and forming part of this Prospectus.

We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **We reserve the right to reject applications that do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances.**

- (2) The Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
- (3) All spaces in the Application Forms except those under the heading "FOR OFFICIAL USE ONLY" must be completed and the words "NOT APPLICABLE" or "N.A." should be written in any space that is not applicable.
- (4) Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full names appearing in your identity cards (if applicants have such identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. If you are a non-individual completing the Application Form under the hand of an official, you must state the name and capacity in which that official signs. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Share Registrar and Share Transfer Office. Our Company and the Vendors reserve the right to require you to produce documentary proof of identification for verification purposes.
- (5)
 - (a) You must complete page 1 and Sections A and B of the Application Forms.
 - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
 - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.
- (6) You (whether you are an individual and corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted), will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of the Invitation Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50 per cent. of the issued share capital of or interests in such corporation.
- (7) Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**SCORPIO EAST SHARE ISSUE ACCOUNT**", crossed "A/C PAYEE ONLY", with your name and address written clearly on the reverse side. We will not accept applications accompanied by ANY OTHER FORM OF PAYMENT. We will reject remittances bearing "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings. No acknowledgement or receipt will be issued by our Company, the Vendors or the Manager for applications or application monies received.

- (8) Unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours after balloting at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List.
- (9) Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
- (10) By completing and delivering the Application Form, you agree that:–
- (a) in consideration of our Company and the Vendors having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 21 March 2006 or such other time or date as our Company and the Vendors may, in consultation with the Manager, decide:–
 - (i) your application is irrevocable; and
 - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
 - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and the Vendors;
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;
 - (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that neither our Company, the Vendors, the Manager, the Underwriter, the Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained; and
 - (f) you irrevocably agree and undertake to subscribe for the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company decides to allocate or allot any smaller number of Invitation Shares applied for as stated in the Application Form or not to allocate or allot any Invitation Shares to you, you agree to accept such decision as a final.

Applications For Offer Shares

1. Your applications for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:–
 - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with your remittance in accordance with the terms and conditions of this Prospectus, in the **WHITE** envelope "A" provided;
 - (b) in the appropriate spaces on **WHITE** envelope "A":–
 - (i) write your name and address;
 - (ii) state the number of Offer Shares applied for;
 - (iii) tick the relevant box to indicate the form of payment; and
 - (iv) affix adequate Singapore postage;
 - (c) SEAL **WHITE** ENVELOPE "A";
 - (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **SCORPIO EAST HOLDINGS LTD. c/o TRICOR BARBINDER SHARE REGISTRATION SERVICES (A DIVISION OF TRICOR SINGAPORE PTE. LTD.), 8 CROSS STREET #11-00 PWC BUILDING SINGAPORE 048424**, the number of Offer Shares you have applied for; and
 - (e) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B" and affix adequate Singapore postage and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND** at your own risk to **SCORPIO EAST HOLDINGS LTD. c/o TRICOR BARBINDER SHARE REGISTRATION SERVICES (A DIVISION OF TRICOR SINGAPORE PTE. LTD.), 8 CROSS STREET #11-00 PWC BUILDING SINGAPORE 048424**, to arrive by **12.00 noon on 21 March 2006 or such other time as we may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.
4. **ONLY ONE APPLICATION** should be enclosed in each envelope. No acknowledgement of receipt will be issued for any application or remittance received.

Applications for Placement Shares (other than Reserved Shares)

1. Your application for Placement Shares (other than Reserved Shares) **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **BLUE** Placement Shares Application Form and your remittance (in accordance with the terms and conditions of this Prospectus) for the full amount payable in respect of the number of Placement Shares you have applied for, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **SCORPIO EAST HOLDINGS LTD. c/o CIMB-GK Securities Pte. Ltd., 50 Raffles Place, #19-00 Singapore Land Tower, Singapore 048623**, to arrive by **12:00 noon on 21 March 2006 or such later date and time as our Company and the Vendors may, in consultation with the Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or which are not honoured upon their first presentation are liable to be rejected.

Applications for Reserved Shares

1. Your application for Reserved Shares must be made on the **PINK** Reserved Shares Application Form.
2. The completed and signed **PINK** Reserved Shares Application Form and your remittance in accordance with the terms and conditions of this Prospectus for the full amount payable in respect of the number of Reserved Shares applied for must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter despatch the sealed envelope by **ORDINARY POST OR DELIVERED BY HAND** at your own risk to **SCORPIO EAST HOLDINGS LTD. c/o CIMB-GK Securities Pte. Ltd., 50 Raffles Place, #19-00 Singapore Land Tower, Singapore 048623**, so as to arrive by **12:00 noon on 21 March 2006** or such later date and time as our Directors may, in consultation with the Manager, decide. **Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance required.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.
4. **ONLY ONE APPLICATION** should be enclosed in each envelope. No receipt or acknowledgement will be issued for any application or remittance received.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case on ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, DBS and the UOB Group are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of DBS are set out respectively in the sections "Steps for Electronic Applications for Offer Shares through ATMs of DBS" and the "Steps for Internet Electronic Application for Offer Shares through the IB website of DBS" (the "Steps") appearing on pages H-13 to H-15 of this Prospectus.

The Steps set out the actions that you must take at an ATM or the IB website of DBS to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to "you" or the "applicant" in the Additional Terms and Conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs of the relevant Participating Banks. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with an IB User Identification ("User ID") and a Personal Identification Number/Password given by a relevant Participating Bank. The Steps set out the actions you must take at ATMs or the IB website of DBS to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your Electronic Application transaction through an ATM, you will receive an ATM transaction slip ("Transaction Record"), confirming the details of your Electronic Application. Upon the completion of your Internet Electronic Application, there will be an on-screen confirmation ("Confirmation Screen") of the application which you can print out for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise, your application is liable to be rejected.

You shall make an Electronic Application on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on “TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE” on pages H-1 to H-4 of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating the ATM for your Electronic Application:–
 - (a) **that you have received a copy of this Prospectus (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
 - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount (the “Relevant Particulars”) from your account with the relevant Participating Bank to the Share Registrar, the SGX-ST, CDP, SCCS, the Company, the Vendors, the Manager, the Underwriter and the Placement Agent (the “Relevant Parties”); and**
 - (c) **that this is your only application and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM or click “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, your confirmation, by pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by that Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS BENEFICIAL OWNER.**

YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES (OTHER THAN RESERVED SHARES), WHETHER AT THE ATM OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES (OTHER THAN RESERVED SHARES) ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES AND VICE VERSA.

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed. **Any Electronic Application which does not conform strictly to the instructions set out on the screens of the ATM or IB website through which your Electronic Application is being made shall be rejected.**

You may make an Electronic Application at an ATM of any Participating Bank or an Internet Electronic Application at the IB website of a relevant Participating Bank for Offer Shares using cash only by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and/or to purchase and accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that we decide to allot or allocate any lesser number of such Offer Shares or not to allot or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM or clicking "Confirm" or "OK" or any other relevant key on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.
5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) in Singapore currency to you by being automatically credited to your account with your Participating Bank within 24 hours after balloting. **Trading on a "WHEN ISSUED" basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List.

Responsibility for timely refund of application monies arising from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted to you before trading the Offer Shares on the SGX-ST. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendors, the Manager, the Underwriter and the Placement Agent assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. **If your Electronic Application is unsuccessful, no notification will be sent by the relevant Participating Bank.**

If you make Electronic Applications through the ATMs of the following banks, you may check the provisional results of your Electronic Applications as follows:–

Bank	Telephone	Available at ATM/ Internet	Operating Hours	Service expected from
DBS	1800 339 6666 (for POSB Account holders) 1800 111 1111 (for DBS Account holders)	Internet Banking www.dbs.com ⁽²⁾	24 hours a day	Evening of the balloting day
UOB Group	1800 222 2121	ATM (Other Transactions — “IPO Enquiry”) www.uobgroup.com ⁽¹⁾⁽²⁾	ATM/Phone Banking — 24 hours a day Internet Banking — 24 hours a day	Evening of the balloting day
OCBC Bank	1800 363 3333	ATM/Internet Banking/Phone Banking ⁽³⁾	24 hours	Evening of the balloting day

Notes:–

- (1) If you have made your Electronic Application through the ATMs or IB website of the UOB Group, you may check the results of your application through UOB Personal Internet Banking, ATMs of the UOB Group or UOB PhoneBanking services.
- (2) If you have made your Internet Electronic Application through the IB websites of DBS or the UOB Group, you may also check the results of your application through the channels listed in the table above.
- (3) If you have made your Electronic Application through the ATMs of OCBC Bank, you may check the results of your application through OCBC Personal Internet Banking, OCBC ATMs or OCBC Phone Banking services.

7. **Electronic Applications shall close at 12.00 noon on 21 March 2006 or such other time as our Company and the Vendors may, in consultation with the Manager, decide.** Subject to paragraph 8 below, an Internet Electronic Application is deemed to be received when it enters the designated information system of the relevant Participating Bank.

8. You are deemed to have requested and authorised us to:–

- (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
- (b) send the relevant Share certificate(s) to CDP;
- (c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies should your Electronic Application be rejected, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of the balloting; and
- (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.

9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Vendors and the Manager and in any such event, our Company, the Vendors, the Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendors, the Manager, the Underwriter and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. We will reject any application by any person acting as nominee.
11. All your particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:–
 - (a) in consideration of us making available the Electronic Application facility, through the Participating Banks acting as our agents, at the ATMs and the IB websites (if any):–
 - (i) your Electronic Application is irrevocable; and
 - (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
 - (b) none of our Company, the Vendors, the Manager, CDP or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;
 - (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on our behalf and not otherwise, notwithstanding any payment received by or on our behalf;
 - (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
 - (e) in making your application, reliance is placed solely on information contained in this Prospectus and that none of the Company, the Vendors, the Manager, the Underwriter and the Placement Agent nor any other person involved in the Invitation shall have any liability for any information not so contained.

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens. For illustration purposes, the steps for making an Electronic Application through an ATM belonging to DBS or through the IB website of DBS are shown below. Instructions for Electronic Applications on the ATM screens and the IB websites screens (if any) of the Participating Banks, other than DBS, may differ from those represented below.

Steps for ATM Electronic Applications for Offer Shares through ATMs of DBS Bank (including POSB ATMs)

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Bank. For illustration purposes, the steps for making an ATM Electronic Application through a DBS or POSB ATM are shown below. Certain words appearing on the screen are in abbreviated form (“A/C”, “amt”, “appln”, “&”, “I/C”, “SGX” and “No.” refer to “Account”, “amount”, “application”, “and”, “NRIC”, “SGX-ST” and “Number”, respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS (including its POSB ATM)) may differ slightly from those represented below.

- Step 1 : Insert your personal DBS or POSB ATM Card.
- 2 : Enter your Personal Identification Number.
- 3 : Select “CASHCARD & MORE SERVICES”.
- 4 : Select “ESA-IPO SHARE/INVESTMENTS”.
- 5 : Select “ELECTRONIC SECURITY APPLICATION (IPOS/BONDS/ST-NOTES)”.
- 6 : Read and understand the following statements which will appear on the screen:–
- THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.
 - ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.
 - Press the “ENTER” key to confirm that you have read and understood.
- 7 : Select “SCORPIO” to display details.
- 8 : Press the “ENTER” key to acknowledge:–
- YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND PROSPECTUS/DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.
 - YOU CONSENT TO DISCLOSE YOUR NAME, NRIC/PASSPORT NO., ADDRESS, NATIONALITY, CDP SECURITIES A/C NO., CPF INVESTMENT A/C NO., AND SECURITIES APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF AND THE ISSUER.

- FOR FIXED AND MAX PRICE SECURITY APPLICATION, THIS IS YOUR ONLY APPLICATION AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.
- THE MAXIMUM PRICE FOR EACH SHARE IS PAYABLE IN FULL ON APPLICATION AND SUBJECT TO REFUND IF THE FINAL PRICE IS LOWER.
- FOR TENDER SECURITY APPLICATIONS, THIS IS YOUR ONLY APPLICATION AT THE SELECTED TENDER PRICE AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.
- YOU ARE NOT A US PERSON AS REFERRED TO IN THE PROSPECTUS/ DOCUMENT OR PROFILE STATEMENT AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT.

- 9 : Select your nationality.
- 10 : Select the DBS account (Autosave/Current/Savings/Savings Plus) or the POSB account (current/savings) from which to debit your application moneys.
- 11 : Enter the number of securities you wish to apply for using cash.
- 12 : Enter or confirm (if your CDP Securities Account number has already been stored in the DBS's records) your own 12-digit CDP Securities Account number. (Note: This step will be omitted automatically if your Securities Account number has already been stored in DBS's records.)
- 13 : Check the details of your share application, your I/C/passport number and CDP Securities Account number and number of securities on the screen and press the "ENTER" key to confirm application.
- 14 : Remove the Transaction Record for your reference and retention only.

Steps for Internet Electronic Applications for Offer Shares through the IB website of DBS Bank

For illustration purposes, the steps for making an Internet Electronic Application through the IB Website of DBS Bank is shown below. Certain words appearing on the screen are in abbreviated form ("A/C", "amt", "&", "I/C", "SGX" and "No." refer to "Account", "amount", "and", "NRIC", "SGX-ST" and "Number" respectively).

- Step 1 : Click on to DBS website (www.dbs.com).
- 2 : Login to Internet Banking.
- 3 : Enter your User ID and PIN.
- 4 : Select "Electronic Security Application (ESA)".
- 5 : Click "Yes" to proceed and to warrant *inter alia*, that you are currently in Singapore, you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore.
- 6 : Select your country of residence.
- 7 : Click on "SCORPIO" and click the "Submit" button.

- 8 : Click "Confirm" to confirm *inter alia*:-
- (a) **You have read, understood and agreed to all terms of this application and the Prospectus/Document or Profile Statement and if applicable, the Supplementary or Replacement Prospectus/Document or Profile Statement.**
 - (b) **You consent to disclose your name, I/C or Passport number, address, nationality, CDP Securities Account number, CPF Investment account number (if applicable) and securities application amount from your DBS/ POSB Account(s) to registrars of securities, SGX, SCCS, CDP, CPF Board and issuer.**
 - (c) **You are not a US Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).**
 - (d) **You understand that the securities mentioned herein have not been and will not be registered under the United States securities law and, subject to certain exceptions, may not be offered or sold with the United States. There will be no public offer of the securities mentioned herein in the United States. Any failure to comply with this restriction may constitute a violation of the United States Securities law.**
 - (e) **This application is made in your own name and at your own risk.**
 - (f) **For FIXED/MAX price securities application, this is your only application. For TENDER price securities application, this is your only application at the selected tender price.**
- 9 : Fill in details for share application and click "Submit".
- 10 : Check the details of your share application, your I/C/passport No. and click "OK" to confirm your application.
- 11 : Print Confirmation Screen (optional) for your reference & retention only.

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