COSTARELLA DESIGN LIMITED ("the Company")
ACN 091 559 125
NOTICE OF GENERAL MEETING 2009

Notice is given that a General Meeting of the members of Costarella Design Limited ("the Company") will be held at Level 15, 333 Collins Street, Melbourne on 27 July 2009 at 10am.

This Notice of Meeting and accompanying Explanatory Statement and Independent Expert's Reports are important documents and require your immediate attention. The details of the Resolutions contained in the accompanying Explanatory Statement and Independent Expert's Reports form part of this Notice of Meeting. It is suggested that you read the Notice of Meeting, Explanatory Statement and Independent Expert's Reports in their entirety before casting a vote at the meeting because they all contain information relevant to each of the Resolutions. If you are in doubt as to what you should do, please consult your investment or other professional adviser.

Ordinary Business
To put to the Company's members for approval the Company's proposed acquisition of all of the shares of Asian Centre for Liver Diseases and Transplantation Inc. and its wholly owned subsidiary Asian Centre for Liver Diseases & Transplantation Pte Ltd in consideration of the issue of post-consolidation ordinary shares in the capital of the Company which will require members approve of the consolidation of the Company's securities, approval for the purposes of the takeovers exemption under the Corporations Act 2001, the issue of post-consolidation consideration shares, approval for the disposal of the Company's existing main undertaking, a change to the Company's name and existing activities and the appointment of a new board. Further details of the acquisition, consolidation, disposal and issue of shares are described in the Explanatory Statement and accompanying Independent Expert's Reports.

Resolution 1 approval for share consolidation
To consider and, if thought fit, to pass without amendment the following Resolution as an ordinary Resolution:

"THAT subject to all Resolutions being passed without amendment, and for the purposes of section 254H of the Corporations Act 2001 and for all other purposes, with effect from the date being the day that is the next ordinary business day following the passage of this Resolution, the Company's members approve a share consolidation of the Company's securities on the basis that:

(a) every 16.67 fully paid ordinary shares in the capital of the Company be consolidated into one fully paid ordinary share;

(b) where the number of shares held by a shareholder of the Company as a result of the consolidation effected by paragraph (a) of this Resolution includes any fraction of a share, that fraction be cancelled and extinguished;

(c) every 16.67 options in the capital of the Company be consolidated into one new option; and

(d) where the number of options held by an option holder of the Company as a result of the consolidation effected by paragraph (c) of this Resolution includes any fraction of an option, that fraction be cancelled and extinguished."

Resolution 2, approval under the takeovers provisions of the Corporations Act
To consider and, if thought fit, to pass without amendment the following Resolution as an ordinary Resolution:

“THAT subject to all Resolutions being passed without amendment, and for the purposes of Chapter 6 of the Corporations Act 2001 (in particular, without limitation, Item 7 of the table in section 611 of the Corporations Act 2001) and for all other purposes, the Company’s members approve:

(a) the acquisition by Dr. Caesarean Tan Kai Chah of 102,298,250 post-consolidation ordinary shares in the capital of the Company deemed fully paid at an issue price of 20 cents each and the acquisition by Ms. Pamela Anne Jenkins of 21,324,600 post-consolidation ordinary shares in the capital of the Company deemed fully paid at an issue price of 20 cents each, being the shares referred to in Resolution 3, in part consideration for the Company’s proposed acquisition of all of the fully paid shares in the capital of Asian Centre for Liver Diseases and Transplantation Inc., as described in the Explanatory Statement and accompanying Independent Expert’s Report regarding the acquisition, which accompanied the Notice of Meeting, on and subject to the terms and conditions sets out in therein; and

(b) the acquisition by Dr. Caesarean Tan Kai Chah and Ms. Pamela Anne Jenkins of an indirect relevant interest in up to 123,622,850 post-consolidation ordinary shares in the capital of the Company being the shares referred to in Resolution 3; and

(c) the Company issuing the post-consolidation shares.”

Voting exclusion statement pursuant to Item 7 of section 611 of the Corporations Act 2001 no votes may be cast in favour of Resolution 2 by the persons proposing to make the acquisition and their associates, or the persons (if any) from whom the acquisition is to be made and their associates. Accordingly, no votes cast by Dr. Caesarean Tan Kai Chah and/or Ms. Pamela Anne Jenkins and their associates will be counted in favour of this Resolution.

Resolution 3, approval for proposed issue of shares
To consider and, if thought fit, to pass without amendment the following Resolution as an ordinary Resolution:

“THAT subject to all Resolutions being passed without amendment, and for the purpose of Listing Rule 10.11 and for all other purposes, the Company’s members approve the issue of 123,622,850 post-consolidation ordinary shares in the capital of the Company to the recipients and in the quantities sets out below at an issue price deemed fully paid of 20 cents per share as part consideration for the Company’s acquisition of all the fully paid shares in the issued capital of Asian Centre for Liver Diseases and Transplantation Inc.:

Person	**Number of post-consolidation shares**
Dr. Caesarean Tan Kai Chah	102,298,250
Ms. Pamela Anne Jenkins	21,324,600

Voting exclusion statement pursuant to ASX Listing Rule 10.11 the Company will disregard any votes cast on Resolution 3 by a person who is to receive securities in relation to the transaction. However, the Company need not disregard a vote if it is cast by a person as a proxy who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. Accordingly, the Company will disregard any votes cast on Resolution 3 by Dr. Caesarean Tan Kai Chah and or Ms. Pamela Anne Jenkins and their associates.

Resolution 4, approval for proposed issue of shares
To consider and, if thought fit, to pass without amendment the following Resolution as an ordinary Resolution:

"THAT subject to all Resolutions being passed without amendment, and for the purpose of Listing Rule 7.1 of ASX Listing Rules and for all other purposes, the Company's members approve the issue of 61,007,550 post-consolidation ordinary shares in the capital of the Company to the recipients and in the quantities sets out below at an issue price deemed fully paid of 20 cents per share as part consideration for the Company's acquisition of all the fully paid issued shares in the capital of Asian Centre for Liver Diseases and Transplantation Inc.:

Person/entity	**Number of post-consolidation shares**
Mr. Lee, Kang Hoe	4,807,540
Mr. Ng, Guan Tee	8,499,930
Mr. Tan, Aik Hee Patrick	8,499,930
Mr. Tan, Siew Bin Ronnie	8,499,930
Mr. Teh, Wing Kwan	4,700,090
Castleridge Management Limited ar (and or its nominee)	26,000,130

Voting exclusion statement pursuant to ASX Listing Rule 7.1 the Company will disregard any votes cast on Resolution 4 by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and an associate of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides. Accordingly, the Company will disregard any votes cast on this Resolution by the recipients set out above and their associates.

Resolution 5 approval for selective reduction of capital
To consider and, if thought fit, to pass without amendment the following Resolution as a special Resolution:

"THAT subject to all Resolutions being passed without amendment, and for the purpose of section 256C(2) of the Corporations Act 2001, members approve of a selective reduction of capital in the Company, being 18,000,000 pre-consolidation ordinary shares in the issued capital of the Company held by Mr. Aurelio Costarella (being 1,079,784 post-consolidation shares if Members approve without amendment Resolution 1) on the terms set out in the Explanatory Statement accompanying this notice."

Voting exclusion statement: Pursuant to section 256(C)(2)(a) of the Corporations Act 2001 no votes may be cast in favour of Resolution 5 by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced, or by their associates. Accordingly, no votes cast by Mr. Aurelio Costarella or his associates will be counted in favour of Resolution 5.

Resolution 6, approval for change of activities
To consider and, if thought fit, to pass without amendment the following Resolution as an ordinary Resolution:

"THAT subject to all Resolutions being passed without amendment, and for the purpose of ASX Listing Rule 11.1 and for all other purposes, the Company's members approves changing the activities of the Company so that it may operate the business of a healthcare provider, equipment and services."

Voting exclusion statement pursuant to ASX Listing Rule 11.1.2 the Company will disregard any votes cast on Resolution 6 by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed and an associate of those persons. However, the

Company need not disregard a vote if it is cast by a person as a proxy who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7, approval for changing the company name
To consider and, if thought fit, to pass the following Resolution without amendment as a special Resolution:

"THAT subject to all Resolutions being passed without amendment, the Company's members approve of the change of the name of the Company, and otherwise authorising such amendments to the Company's Constitution as are necessary to change the name, to **Asian Centre for Liver Diseases & Transplantation Ltd**."

Resolution 8, approval for election of directors
To consider and, if thought fit, to pass the following Resolution without amendment as an ordinary Resolution:

"THAT subject to all Resolutions being passed without amendment, Dr. Dr. Caesarean Tan Kai Chah, Ms. Pamela Jenkins, Mr. Kee Tang, and Mr. Fong, Heng Boo are elected as Directors of the Company with effect on and from the completion of the acquisition of Asian Centre for Liver Diseases and Transplantation Inc. and its wholly owned subsidiary Asian Centre for Liver Diseases & Transplantation Pte Ltd."

Dated: 24 June 2009

By the order of the Board

Secretary
Costarella Design Limited

The accompanying Proxy and Voting Instructions together Explanatory Statement and Independent Expert's Reports and the form part of this Notice of Meeting.

COSTARELLA DESIGN LIMITED
ABN 42 091 559 125

000001 000 CLD
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

By Mail:
Costarella Design Limited
PO Box 12483 A'Beckett Street Melbourne
Victoria 8006 Australia

OR

318 Albert Street East Melbourne
Victoria 3000 Australia

Alternatively you can fax your form to
(within Australia) (03) 9417 4950
(outside Australia) +61 3 9417 4950

For all enquiries call:
(within Australia) 1300 652 721
(outside Australia) +61 3 9946 4400

Proxy Form

For your vote to be effective it must be received by 10.00am (EST) Saturday 25 July 2009

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔

View your securityholder information, 24 hours a day, 7 days a week:
www.investorcentre.com

☑ **Review your securityholding**
☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

I 9999999999 IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Costarella Design Limited hereby appoint

☐ **the Chairman of the meeting** **OR** ______

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Costarella Design Limited to be held at Level 15, 333 Collins Street, Melbourne, Victoria on Monday, 27 July 2009 at 10.00am (EST) and at any adjournment of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Ordinary Resolutions				
Resolution 1	Consolidation of Shares	☐	☐	☐
Resolution 2	Approval Under the Takeover Provisions of the Corporations Act 2001	☐	☐	☐
Resolution 3	Approval for Proposed Issue of Shares	☐	☐	☐
Resolution 4	Approval for Proposed Issue of Shares	☐	☐	☐
Special Resolution				
Resolution 5	Approval for Selective Reduction of Capital	☐	☐	☐
Ordinary Resolution				
Resolution 6	Change of Activities	☐	☐	☐
Special Resolution				
Resolution 7	Change of Name	☐	☐	☐
Ordinary Resolution				
Resolution 8	Appointment of New Directors	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______ **Contact Daytime Telephone** ______ **Date** ___ / ___ / ___

COSTARELLA DESIGN LIMITED ACN 091 559 125 ("the Company")

EXPLANATORY STATEMENT

24 June 2009

This Explanatory Statement and accompanying Independent Expert's Reports accompanies and forms part of the Company's Notice of Meeting that a General Meeting of the Members the Company will be held at Level 15, 333 Collins Street, Melbourne, Victoria on 27th July 2009 at 10am.

The substance of the Proposal put to Members for approval is:

(a) the acquisition of all of the issued shares in the Asian Centre for Liver Diseases and Transplantation Inc. in consideration for the issue of post-consolidation shares in the Company; and

(b) the sale of all of Aurelio Costarella Pty Ltd, Su Design Pty Ltd and Costarella Design Asia Pte Ltd, comprising the Company's main undertaking, to Mr. Aurelio Costarella. The purchase price for the sale will be satisfied by the cancellation of ordinary shares in the issued capital of the Company currently held by Mr. Aurelio Costarella.

The Proposal obliges the Company to observe the Corporations Act 2001 and the Listing Rules of ASX. In particular, by reason of the acquisition, two related parties, being proposed Directors, will acquire a relevant interest in the Company and the sale of the Company's main undertaking is a sale to a related party. Under the Corporations Act 2001, member approval is required for these transactions.

The Independent Expert's Reports concludes that the Proposal is fair and reasonable, that the advantages of implementing the Proposal outweigh the disadvantages and that no financial benefits are being given to related parties.

The Notice of Meeting, this Explanatory Statement and the accompanying Independent Expert's Reports are important documents and require your immediate attention. The details of the Resolutions contained in the Notice of Meeting, this Explanatory Statement and accompanying Independent Expert's Reports form part of the Notice of Meeting.

It is suggested that you read the Notice of Meeting, Explanatory Statement and Independent Expert's Reports in their entirety before casting a vote at the meeting because they all contain information relevant to each of the Resolutions. If you are in doubt as to what you should do, please consult your investment or other professional adviser.

Under Chapter 11 of the Listing Rules of ASX, by reason of the proposed disposal of the Company's main undertaking and by reason of the proposed change to the nature and scale of the Company's activities, ASX may suspend quotation of CLD shares until the Company demonstrates that it meets the requirements of Chapters 1 & 2 in relation to quotation and admission. Until then trading of the Company's securities may remain suspended. Upon ASX being satisfied that the requirements of Chapters 1 and 2 have been met, the Company anticipates that trading of the Company's securities will resume. Until then it is likely that trading of the Company's securities may remain suspended. The approval to allow the Company's securities to recommence trading will be at ASX's sole and unfettered discretion.

This document was provided to ASX for review on 17 June 2009. ASX and ASIC take no responsibility for the content of this document.

Defined words are capitalised. The Glossary is set out in Section 4.

CONTENTS

Appendixes

1. SUMMARY OF THE RESOLUTIONS

Resolution 1 is proposed so that the Company may consolidate its securities for the purpose of meeting the requirements of the Acquisition Agreement.

Resolution 2 is proposed for the purpose of meeting requirements of item 7 of section 611 of the Corporations Act 2001 because the issue of post-consolidation CLD shares in part consideration of the acquisition of the ALC Group will result in two key people holding in their own right, and by association, more than 20% of the issued capital of the Company. The approval is in respect of the post-consolidation CLD shares to be issued under Resolution 3, not an additional or separate parcel of shares.

Resolution 3 is proposed for the purposes of meeting the requirements of the Listing Rules of ASX, in particular Listing Rule 10.11 requires a company to obtain member approval before it issues or agrees to securities to a related party. If Members approve Resolutions 2, 3, & 8, post-consolidation CLD shares will be issued to proposed Directors of the Company.

Resolution 4 is proposed for the purposes of meeting the requirements the Listing Rules of ASX, in particular Listing Rule 7.1 which requires a company to obtain member approval before it issues or agrees to issue securities if the number to be issued exceeds 15% of the number of the same class of securities on issue 12 months before the date of issue. The post-consolidation CLD shares will comprise the balance of the post-consolidation CLD shares to be issued in consideration for the acquisition of the ALC Group.

Resolution 5 is proposed for the purpose of meeting the requirements of sections 256B and 256C of the Corporations Act 2001. The disposal of the Company's current main undertaking in consideration of the cancellation of CLD shares is treated as selective reduction of capital and member approval is required under sections 256B and 256C of the Corporations Act 2001.

Resolution 6 is proposed for the purpose so that upon implementation of the Proposal the Company may carry on the business of the ALC Group.

Resolution 7 is proposed as a special resolution for the purpose of meeting the requirements of the Corporations Act 2001 and so that the Company may rebrand and carry on the business of the ALC Group upon implementation of the Proposal.

Resolution 8 is proposed so that the current Board may be replaced as part of the implementation of the Proposal.

Further information in respect of each Resolution is set out in Sections 3 & 4. For information in respect of the risks associated with the implementation of the Proposal please refer to Section 2.12.

If Members approve the implementation of the Proposal, the Company will acquire the ALC Group, the Company's shares will be consolidated, two people will hold by association more than 20% of the voting power of the Company, the Company's activities will change as will its name so that the Company may carry on the business of the ALC Group and at the same time the Company will divest itself of its existing main undertaking, being the clothing and fashion business of Aurelio Costarella Pty Ltd, SU Design Pty Ltd and Costarella Design Asia Pty Ltd.

If Members do not approve the implementation of the Proposal, the Company will continue to operate its existing main undertaking.

2. BACKGROUND INFORMATION

2.1 The Proposal & purpose of meeting

The purpose of this Explanatory Statement and Independent Expert's Report is to provide Members with the information they require to make an informed decision on each Resolution and on the implementation of the Proposal.

On 18 December 2008 the Company announced that it had entered into the Acquisition Agreement to acquire 100% of the shares of the ALC Group. The terms of the acquisition include the consolidation of the Company's existing capital, the issue of shares in consideration of the acquisition, the disposal of the Company's main undertaking, a change of the Company's name and current activities and a reconstitution of the Company's current board of directors. Further details in respect of the acquisition are set out in Section 2.9 (a).

Given that the current activities of the Company have been met with limited success, the Board regards the acquisition as an important strategy for the Company's growth and a good opportunity for Members moving forward, and requests that careful consideration is given to each Resolution.

2.2 About the ALC Group

The Holding Company was incorporated in the British Virgin Islands on 10 December 2008. Its principal activity is an investment holding company, currently comprising the holding of all of the paid up and issued capital of the Subsidiary. The Holding Company's current capital structure comprises 1,000,010 fully paid shares, all of which are held by the Vendors in the proportions set out in Section 2.10 of this Explanatory Statement.

The Subsidiary was incorporated in the Republic of Singapore on 26 July 1994. The Subsidiary's current capital structure comprises ten ordinary fully paid shares, all of which are held by the Holding Company. The Subsidiary is licensed by the Director of Medical Services of Singapore's Ministry of Health to operate a medical clinic at the Premises until 11 August 2010. It is anticipated that in the ordinary course of the Subsidiaries activities this license will be renewed.

The Subsidiary's principal activity is the provision of specialised medical services (including the operation of day surgical centers) to cater for patients seeking treatment for all types of liver diseases. Its objects include the carrying on of a business of medical practitioners providing specialist medical consultation and services in hematology practice and related fields, and to establish, carry on and maintain medical centers for the treatment of patients. Ancillary to this, the company also imports into Singapore medical equipment and supplies.

The Subsidiary was founded by Dr. KC Tan. Dr. KC Tan and his team have to date successfully operated on more than 100 living donor liver transplant patients. In 2002, Gleneagles Hospital was granted permission to perform liver transplantations, since then the Subsidiary, under the leadership of Dr. K C Tan, performed the first successful adult-adult living donor liver transplant in South East Asia.

Gleneagles Hospital is part of Singapore-based Parkway Holdings Limited, a public company incorporated in the Republic of Singapore in 1974. Founded in 1957, the Gleneagles Hospital was a 45-bed nursing home, which expanded to become a 126-bed hospital offering a complete range of services and facilities by 1979. Parkway Holdings Limited acquired the Gleneagles Hospital in 1987 and extended its healthcare services to encompass hospital management and consultancy services. By 1993, Gleneagles Hospital had become a tertiary healthcare hospital with a ten-storey hospital building and growing subsidiaries in the healthcare business. The Gleneagles Medical Centre was commissioned in 1994. Housing 150 medical specialists, it has established itself as a premier tertiary acute care hospital and regional centre for medical referrals. By 1997, it had expanded to 380 beds.

2.3 Business Strategy

The ALC Group currently treats on average approximately 7,000 patients a year based on current arrangements with the Gleneagles Hospital. The Proposed ALC Group plans to increase this capacity by negotiating new leases so that it may offer a larger number of beds, expand its surgeries and laboratory, recruit additional staff and provide training facilities. In the long term, the Proposed ALC Group may consider expanding into other regions in Asia by establishing satellite clinics or, alternatively, by establishing satellite clinics under joint venture or other similar arrangements. The Proposed ALC Group considers that future capital raisings may be required to finance such ventures. The Proposed ALC Group also plans to explore growth initiatives in respect of other areas of medical practice such as bone marrow examination and transplantation.

2.4 Proposed board of directors of the Company

The Proposal includes the appointment of Dr. KC Tan, Ms. Pamela Jenkins, Mr. Fong, Heng Boo and Mr. Kee Tang, as directors of the Company. The Company anticipates that the proposed directors' intentions regarding the future of the Company lie in pursuing its growth initiatives articulated above. The current Directors of the company will retire upon completion of the acquisition of the ALC Group.

Dr. KC Tan, Executive Director

Dr. KC Tan graduated from the Medical Faculty, University of Malaya in 1978, obtaining his Fellowship of the Royal College of Surgeons of Edinburgh in 1982. From 1984 to 1985, Dr. KC Tan obtained advanced training in paediatric surgery in Manchester and Southampton, United Kingdom. Dr. KC Tan obtained further training in pediatric hepatobiliary surgery and liver transplant surgery in King's College Hospital, London from 1986 to 1994. Dr. KC Tan is currently registered as a Medical Practitioner with the Singapore Medical Council.

During his tenure as the Senior Liver Transplant Surgeon at Kings College Hospital, Dr. KC Tan trained many surgeons in hepatobiliary and liver transplant surgery; he advised and helped implement the Irish National Liver Transplant Programme in St. Vincents Hospital, Dublin. Dr. KC Tan returned to South East Asia in 1994 after six years as Consultant Surgeon in Kings College Hospital to set up the Subsidiary in Singapore. In 1995, Dr. KC Tan established a living donor liver transplant program in Malaysia where to-date, more than 50 transplants have been performed. The Malaysian program remains in place with effect that all consultations are referred to the Subsidiary's Singapore operations. In 1996, Dr. KC Tan was appointed Director of the Liver Transplant Program, National University Hospital, Singapore. Dr. KC Tan performed many transplants, both adult and pediatric, in the National University Hospital before resigning in March 2002.

Dr. KC Tan has published and lectured extensively on the subjects of hepatobiliary and liver transplantation surgery. Dr. KC Tan co-edited The Practice of Liver Transplantation (1995), a textbook comprehensively covering all aspects of liver transplantation and in particular organisation of a liver transplant department, selection and preoperative management of transplant candidates, anaesthesia and surgical techniques, post-transplant care as well as long term outcomes.

Dr. KC Tan's appointment will be as executive director of the Company. Dr. KC Tan is currently a director of the Subsidiary. Dr. KC Tan will not be an independent director of the Company because his voting power, upon implementation of the Proposal will be above 20%. Dr. KC Tan is the spouse of Ms. Pamela Jenkins, other than that Dr. KC Tan does not have any other relationships with the Company, Directors of the Company, or proposed directors of the Company.

Ms. Pamela Jenkins, Executive Director

Ms. Pamela Jenkins is a Registered General Nurse in the Republic of Singapore. Ms. Jenkins graduated from the University of East London with a Bachelor of Science (Hons.) in 1994. Ms Jenkins obtained a Master of Business Administration from Kingston University, London, in 1994. Ms. Jenkins has significant experience in the industry, almost 15 years of which have been with the Subsidiary. Ms. Jenkins was appointed in 1994 as director of the Subsidiary and managing director in 1997. Ms. Jenkins is currently responsible for the day to day management of the Subsidiary.

Ms. Jenkins began her career with King's College Hospital, London in 1984 and gained significant operating theatre and nursing experience in neuro, cardiothoracic, vascular, orthopaedic, microvascular, eye, plastic, paediatric, urology and renal transplantation, hepatobiliary and liver transplantation surgeries. Ms. Jenkins was promoted to the position of Clinical Nurse Specialist/Department Manager (Liver Transplant Surgical Service) in 1989 and was in charge of general management for operating theatre staff, trainee nurses, administration and financial control as King's College Hospital.

Ms. Jenkins's appointment will be as executive director of the Company. Ms. Jenkins is currently a director of the Subsidiary. Ms. Jenkins will not be an independent director of the Company because her voting power, upon implementation of the Proposal will be above 20%. Ms. Jenkins is the spouse of Dr. KC Tan, other than that Ms. Jenkins does not have any other relationships with the Company, Directors of the Company, or proposed directors of the Company.

Mr. Fong, Heng Boo, Non-executive Independent Director

Mr. Fong, Heng Boo graduated from the University of Singapore with a Bachelor of Accountancy (Hons.). Mr. Fong has over 30 years experience as a company director and manager. It is anticipated that this experience will assist with the Proposed ALC Group's planned growth initiatives and will be advantageous to the Company.

Mr. Kee Tang, Non-executive Independent Director

Mr. Kee Tang graduated from the University of Manitoba, Canada in 1978 with a Bachelor of Commerce (Hons.). Mr. Tang has over 30 years experience in senior management positions in the financial and information technology industries. It is anticipated that this experience will assist with the Proposed ALC Group's planned growth initiatives and will be advantageous to the Company.

2.5 Corporate Governance

The Company currently has in place a Corporate Governance Policy for the evaluation of the Board's performance and establishing a Directors code of conduct. The Policy also sets out a code of business conduct, dealings in the Company's securities, communications and disclosure policies and risk management procedures. The Corporate Governance Policy currently provides for an audit Committee and an Executive Committee.

Upon implementation of the Proposal it is anticipated that the Company's current Corporate Governance Policy will be reviewed to ensure that processes and procedures are in place, and that committees are convened, all of which will be appropriate with the interests of the Company's proposed activities of health care providers, equipment and services. With this in mind, it is understood that the proposed directors of the Company anticipate, where appropriate, complying with ASX Corporate Governance Principles and Recommendations, including an appropriate risk management strategy. The Company will, in any event, provide a statement in its next annual report disclosing the extent to which it has complied with ASX Corporate Governance Principles and Recommendations.

2.6 Continuous Disclosure

The Directors anticipate that the Company will continue to comply with its continuous disclosure obligations to ASX upon implementation of the Proposal. The Company anticipates that this commitment will promote transparency and investor confidence and will ensure Members and the financial markets are provided with timely information about its activities.

2.7 Financial position of the ALC Group

The following table sets out consolidated profit and loss accounts of the ALC Group in respect of financial years ending 31 August 2006, 2007, & 2008 (audited) and for the first half of 2009, ending 28 February 2009 (not audited). All amounts are expressed in Singapore currency. On or about the date of this Explanatory Statement **$1=SGD1.16**.

($,000)	**31 Aug 2006**	**31 Aug 2007**	**31 Aug 2008**	**28 Feb 2009**
Income	11,313	12,487	21,038	7,539
Cost of sales	(6,509)	(7,092)	(13,945)	(4,625)
Gross Profit	4,804	5,395	7,093	2,914
Other operating income	4	2	51	7
Operating expenses	(2,546)	(3,684)	(3,486)	(2,133)
Finance cost	-	(1)	-	-
Operating profit before tax	2,262	1,712	3,658	788

Income tax expenses / provisions	(441)	(357)	(580)	(82)
Net profit after tax (before non-operating expenses)	**1,821**	**1,355**	**3,078**	**706**
Exceptional items – provisions for non-trade debts	(688)	(858)	(650)	-
Net profit after tax & non-operating expenses	1,133	497	2,428	706

For further information in respect of the ALC Group's financial position please refer to the Independents Expert's Reports.

It is anticipated that revenue will flow into the Company in the form of dividends from the Holding Company. The Directors and the proposed directors of the Company believe that they do not have a reasonable basis to accurately forecast any financial projections. After meeting any administrative costs with operating the Company in Australia, and taking into account any working capital requirements the proposed directors may distribute a dividend at their discretion.

2.8 Change of year end

Upon receipt of Member approval to implement the Proposal the Company anticipates that it will make application to ASIC to change its current year end date from 30 June of each year to 31 August of each year so that it may synchronise its financial records, accounting practices and reporting requirements under the Corporations Act 2001 with those of the ALC Group. If the application is not granted, the Company will continue to meet its reporting requirements in accordance with the requirements of the Corporations Act 2001.

2.9 Material Agreements

(a) Acquisition Agreement

Pursuant to the Acquisition Agreement the Vendors have agreed to transfer all of the issued capital in the ALC Group, comprising both the Holding Company and the Subsidiary, to the Company for the purchase price $36,926,080. A condition precedent of the Acquisition Agreement is that the Company consolidates its existing CLD securities with effect that every 16.67 securities are consolidated into one security. The purchase price will be satisfied by the issue of that number of post-consolidation CLD shares deemed fully paid at an issue price of 20 cents each and equal in value to the purchase price, in total 184,630,400 CLD shares.

The Acquisition Agreement is subject to each of the Company and the Vendors conducting due diligence enquiries to their satisfaction, receipt of all necessary Member approvals in respect of the acquisition and compliance with all necessary regulatory requirements, the disposal of the Company's 100% wholly owned subsidiary Aurelio Costarella Pty Ltd, being the Company's current main undertaking, the change of the name of the Company to Asian Centre for Liver Diseases & Transplantation Ltd, the Company changing its existing business activity so that it may carry on the business of the ALC Group, the exercise of the right of Amrita Capital Ltd to convert the Convertible Note into CLD shares, the cancellation of the Company's existing employee share option scheme, and there being no material adverse change in the financial circumstances of ALC Group. Satisfactory due diligence enquiries have been made and the Company's existing employee share option scheme has been cancelled.

Within 14 days of the last of the condition precedents having been fulfilled, the Vendors must deliver to the Company's legal representative in Singapore relevant share transfer forms, certificates, and Resolutions of approval to be held as stakeholder by the Company's legal representation in Singapore. The Company must, within 60 days of the last of the condition precedents having been fulfilled, issue the Consideration Shares. Upon receipt of confirmation from the Company's share registry of the issue of the Consideration Shares, and upon receipt of the resignation of existing Directors, the documents that the Company's legal representative in Singapore holds are to be released to the Company and the acquisition will be completed.

Before completion, the Vendors are required to ensure that the Holding Company and the Subsidiary do not issue any securities, create any encumbrances, pledges or liens over its assets, enter into any transactions with third parties other than in the ordinary course of business, does not dispose of any of its assets and does not enter into any funding arrangements.

The Vendors warrant that they have the power and authority to enter into the Acquisition Agreement, transfer all of the issued shares in the Holding Company and the Subsidiary, that all consents, licenses, approvals, authorisations, orders and exemptions of any agency, department or authority in Singapore or elsewhere which are required to be obtained by the Vendors to carry on the business of the ALC Group have been obtained and are in full force and effect, that the accounts of the ALC Group that have been disclosed to the Company give a fair view of its financial position, that its tenancy arrangements with the Gleneagles Hospital are valid, and that it shall continue to observe and perform its obligations thereunder.

Separate to the warranties collectively given as Vendors, Dr. KC Tan and Ms. Jenkins have agreed to remain employed on a full time basis with the Subsidiary for three years and that upon determination of employment they have agreed on a restriction of 12 months with the effect that they may not, during the restriction period, be involved in any other business which is in direct competition with the business of the Proposed ALC Group.

The Acquisition Agreement includes a vendor indemnity resulting from a breach of warranty for liabilities and losses exceeding SGD300,000. The warranty period expires 12 months after completion. The default clauses entitle the innocent party to specific performance or termination; they do not preclude the right to initiate any legal proceedings. The Acquisition Agreement is governed by the laws of the State of Western Australia and the parties submitted to the non-exclusive jurisdiction of the courts of Western Australia.

(b) Sale of Shares Deed

It is articulated above that one of the conditions precedent of the Acquisition Agreement was the sale of the Company's 100% wholly owned subsidiary, Aurelio Costarella Pty Ltd, being the Company's current main undertaking. The sale includes the transfer of SU Design Pty Ltd and Costarella Design Asia Limited, both of which are 100% wholly owned subsidiaries of the Company.

Pursuant to the Sale of Shares Deed the Company agreed to transfer all of the issued capital in its 100% wholly owned subsidiary, Aurelio Costarella Pty Ltd to Mr. Aurelio Costarella for the purchase price of $220,000. The Deed includes the transfer of all right, title and interest in the assets, liabilities, goodwill and intellectual property of the Company's current main undertaking, being the ready to wear couture fashion business trading under the name Aurelio Costarella. The purchase price may be satisfied by the cancellation of 18,000,000 pre-consolidation fully paid CLD shares registered in Mr. Costarella' name at $0.0122 each, being 1079784 post-consolidation CLD shares at 20 cents each, which is equal in value to the purchase price of $220,000.

The Sale of Shares Deed is subject to receipt of all necessary Member and regulatory approvals for the purposes of the Listing Rules of ASX and the Corporations Act 2001.

Completion is articulated to take effect contemporaneous with completion of the Acquisition Agreement. At completion, subject to Member approval, in consideration of the Company's receipt of 1,079,784 post-consolidation CLD shares registered in Mr. Costarella's name, the Company will transfer to Mr. Aurelio Costarella all right, title and interest in the assets, liabilities, goodwill and intellectual property of the Company's current main undertaking and SU Design Pty Ltd and Costarella Design Asia Limited. Mr. Costarella's CLD shares will be cancelled upon registration of the transfer to the Company.

Until completion, the Company is required to ensure that it operates its current main undertaking in the ordinary course of business.

Each party to the Sale of Shares Deed made warranties in respect of their power and authority to enter into the Deed. Mr. Costarella agreed to indemnify the Company in respect of all liabilities which he suffers or incurs by reason of or in connection with any causes of action, proceedings, debts, liabilities and claims made in relation to any outstanding liabilities arising before or after completion. The Deed is not capable of assignment without the prior written consent of the other party. The Deed is governed by the laws of the State of Western Australia and the parties submitted to the non-exclusive jurisdiction of the courts of Western Australia.

(c) Tenancy Agreements

The Subsidiary has entered into Tenancy Agreements in respect of the Premises with Parkway both of which expire on 27 June 2011. The current combined rent is the higher of the fixed amount SGD149,394 per annum plus goods and services tax (5%) or an amount equal to ten per cent of the Subsidiary's net income after deduction of all relevant expenses other than rent and any applicable taxes. For the year ending 31 August 2008, the rent under this formula was the fixed amount.

The terms and conditions of the Tenancy Agreements include the obligation to maintain the Premises, an obligation to take out building insurance not less than SGD1,000,000 and appropriate professional indemnity insurance, not to assign, part with possession, or restructure its business without first obtaining consent, not to use the Premises for any other purpose other than as medical consultation offices for the purpose of its medical practice of hepatobiliary surgery.

There are restrictive covenants under the Tenancy Agreements that the Subsidiary is required to conduct its medical practice from the Premises, to keep engaged the services Dr. KC Tan, to admit all patients to the Gleneagles Hospital as and when required and to refer all of the Company's patients requiring ancillary medical treatments to the Gleneagles Hospital.

Parkways are not responsible under the Tenancy Agreements for any interruption of the services to the Premises, or in respect of any act or negligence of Parkway or its employees. The Tenancy Agreements may be terminated, among other general default and non-observance provisions, if Dr. KC Tan ceases to practice with the Subsidiary, if Dr. KC Tan is suspended as a medical practitioner or if the Subsidiary is suspended from carrying out its activities during the term.

At the date of this Explanatory Statement, there are no known breaches or failure to observe the terms and conditions imposed on the Subsidiary under the Tenancy Agreements.

The Tenancy Agreements are subject to the laws of the Republic of Singapore.

(d) Convertible Note Agreement

The Company entered into a Convertible Note Agreement with Amrita Capital Ltd on 31 July 2008.

Pursuant to the Convertible Note Agreement, Amrita Capital Ltd advanced the Company funds to be applied to working capital. Amrita Capital Ltd was granted an option to convert any or all of the funds advanced, into ordinary pre-consolidation shares in the capital of the Company deemed fully paid at an issue price of 2 cents each, together with interest. The shares may be issued to Amrita Capital Ltd and or its nominees. Any amount not converted into shares must be repaid in cash. Interest accrues daily under the Convertible Note Agreement at the rate of ten per cent per annum and the full amount outstanding at the date of this Explanatory Statement is $580,000. The Convertible Note is to be reconstructed on a proportional basis in the event of a consolidation of the Company's share capital. Amrita Capital Ltd has confirmed that it will require redemption upon consolidation of the Company's securities.

Security under the Convertible Note Agreement comprised a fixed and floating charge in favour of Amrita Capital Ltd over the assets of the Company, including any rights of occupation and any intangible assets and intellectual property. Under the fixed and floating charge the Company agreed to charge all of its assets, rights, titles and interests in favour of Amrita Capital Ltd and covenanted to pay all amounts due under the Convertible Note Agreement. The fixed charge crystallizes into a floating charge if there the Company defaults under the Convertible Note Agreement or the fixed and floating charge.

Both the fixed and floating charge and the Convertible Note Agreement are subject to the laws of Western Australia.

(e) Employment Agreements

Employment agreements are in place in respect of the employee's of the Subsidiary. Dr. KC Tan is engaged as a consultant surgeon and currently earns SGD2.4m per annum. Dr. Tan's consultancy expires in April 2012. Ms. Pamela Jenkins is engaged as the Subsidiary's manager and currently earns SGD360,000 per annum. Ms. Jenkins engagement expires in April 2012.

2.10 The Vendors

The Vendors under the acquisition agreement comprise the following:

Name and % of Company held after implementation of Proposal

Dr. Caesarean Tan Kai Chah	54.28 %
Ms. Pamela Anne Jenkins	11.32 %

Mr. Lee, Kang Hoe	2.55 %
Mr. Ng, Guan Tee	4.51 %
Mr. Tan, Aik Hee Patrick	4.51 %
Mr. Tan, Siew Bin Ronnie	4.51 %
Mr. Teh, Wing Kwan	4.51 %
Castleridge Management Limited	
(and or its nominees)	13.79 %

2.11 Benefits associated with the Proposal's implementation

The Subsidiary was the first private centre for treatment of livers operating from South East Asia and has performed more than 100 liver transplantations since its inception. The Subsidiary's success rate after care programs have contributed to making the Subsidiary a recognised liver transplantation center.

Other attributes include the following:

- the team of professionals that has been assembled enables integrated liver treatments;
- the Subsidiary operates in an industry that is highly-regulated to protect the interest of patients;
- the Subsidiary's recruitment, training and retention of experienced and skilled professionals has been paramount in ensuring treatment,

all of which have assisted in creating a significant barrier of entry to any potential competitors.

2.12 Risks associated with the Proposal's implementation

There are risks associated with implementation the Proposal. The following is a summary that the Directors believe are the risks of implementing the Proposal.

The ALC Group is reliant on key personnel and in particular, the Company's founder, Dr. KC Tan, and Ms. Jenkins. The ALC Group also requires experienced and specialized surgeons to perform, diagnose and treat patients. A **shortage of professionals** or the **loss of key personnel** may adversely impact the Proposed ALC Group

The ALC group conducts its business in a highly regulated industry and **legislative changes, government policies and approvals,** both in the Republic of Singapore and/or in other countries which, through proposed growth initiatives, the Proposed ALC Group may expand into, may result in **increased compliance costs.** Increased compliance costs may adversely affect the financial performance of the Proposed ALC Group. Further, the Subsidiary is licensed by the Director of Medical Services of Singapore's Ministry of Health to operate a medical clinic at the Premises until 11 August 2010. It is anticipated that in the ordinary course of the Subsidiary's activities this license will be renewed; however, there can be no guarantee that it will.

The Proposed ALC Group's planned business strategy includes growth initiatives that may require further funding. The Proposed ALC Group **may not be able to raise sufficient funds** to implement its planned business strategy.

Under existing arrangements with the Gleneagles Hospital, the ALC Group obtains the benefit and use of equipment, surgeries, beds, offices and nursing staff. A **termination of existing arrangements or failure to renegotiate them at all** may adversely affect the financial performance of the Proposed ALC Group.

The ALC Group is a medical service provider and as such is exposed to **litigation risks** in the event that its medical practitioners are negligent or unprofessional. Any litigation against the Proposed ALC Group may adversely affect its financial performance together with its reputation and standing.

Whilst the ALC Group has operated profitably in the past, its **historical performance is not indicative of its future financial performance**.

Upon implementation of the Proposal Dr. KC Tan and Ms. Pamela Jenkins will hold a **concentration of CLD shares**. By association Dr. Tan and Ms Jenkins will hold up to approximately 65% of the voting power in the Company, which may reduce trading in CLD shares on the market.

General risks include **exchange rate fluctuations, share market fluctuations** and **general economic factors,** including, but not limited, to interest rates, taxes and commodity prices.

The risks described above are not exhaustive. Members are encouraged to read this Explanatory Statement in full and, if they require further information, seek professional advice.

3. THE RESOLUTIONS

3.1 Resolution 1, approval for share consolidation

Resolution 1 is subject to all Resolutions being passed without amendment.

The Company's Constitution in its current form allows for the Directors to consolidate and subdivide its existing shares into shares of a smaller amount by resolution.

Resolution 1 seeks Member approval to consolidate the Company's issued share capital by consolidating every 16.67 existing shares into one new share. The Company currently has 52,739,477 shares on issue, which will, upon the consolidation taking effect, consolidate into 3,163,735 shares.

Resolution 1 also seeks Member approval to consolidate the Company's issued options by consolidating every 16.7 options into one new option. The Company currently has 25,180,200 options on issue, which will, upon the consolidation taking effect, consolidate into 1,510,510 options.

The effect of the consolidation will be that each Members' shares and options in the Company will be reduced to approximately one sixteenth of its present level (fractions of a share resulting from the consolidation being cancelled and extinguished with the effect that the consolidated holding will be rounded down to the nearest whole number).

Each Member's proportionate interest in the Company's share capital will, subject to the cancellation of fractional entitlements, remain unchanged as a result of the consolidation. Each option holder's proportionate interest in the Company's share capital upon exercise of their options will, subject to the cancellation of fractional entitlements, remain unchanged as a result of the consolidation.

The consolidation will take effect from the date which is the next business day after Resolution 1 is passed ("Effective Date").

As from the day, which is four business days after the Effective Date, the Company may not register transfers on a pre-consolidation basis. In the case of certificated holdings, this is the last day for the Company to accept transfers accompanied by certificates issued before the consolidation. The Company will send a notice to all Members, not earlier than five business days after the Effective Date and not later than nine business days after the effective date, advising of the number of CLD shares and options held by each Member both before and after the consolidation.

Uncertificated security holding statements or certificates (as applicable) for the consolidated shares will be delivered by the Company to holders not earlier than five business days after (but not including) the Effective Date and not later than nine business days after (but not including) the Effective Date. The Company will, from the date, which is five business days after the Effective Date, reject transfers accompanied by a certificate that was issued before the consolidation. Where a Member has sold his or her shares or options in the Company prior to the consolidation and the Company receives a valid transfer together with a certificate (if applicable) for those shares or options, the Company will send an uncertificated security holding statement or certificate (as applicable) for the new shares or options to the transferee named in the transfer.

If Members approve Resolution 1, the effect of the consolidation on CLD shares is illustrated in the table below:

Shares	**Number**
Total shares on issue pre-consolidation	52,739,477
Total shares on issue post-consolidation	3,163,735
Post-consolidation shares to be issued under Resolution 3 and 4	184,630,400
Post-consolidation shares to be cancelled under Resolution 5	1,079,784
Post-consolidation shares to be issued pursuant to Convertible Note Agreement	1,739,650
Total number of post-consolidation shares on issue upon implementation of Proposal	188,454,000
Total market capitalisation at 20 cents each	**$37,690,800**

If Members approve Resolution 1, the effect of the consolidation on CLD options is illustrated in the table below:

Pre-consolidation options	**Exercise Price**	**Expiry Date**
22,430,200	$0.20	30 Sep 2010
2,750,000	$0.07	11 June 2013

Total pre-consolidation options on issue:

25,180,200

Post-consolidation options	**Exercise Price**	**Expiry Date**
1,345,542	$0.20	30 Sep 2010
164,967	$0.07	11 June 2013

Total post-consolidation options on issue:

1,510,509

3.2 Resolution 2, approval under the takeovers provision of the Corporations Act 2001

Resolution 2 is subject to all Resolutions being passed without amendment.

Section 606 of the Corporations Act 2001 prohibits the acquisition by a person of a relevant interest in the issued voting shares in a listed company if, because of that acquisition, that person’s or someone else’s voting power increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

“Relevant interest” is extensively defined in the Corporations Act 2001. It includes holding voting shares, being able to exercise control over voting shares and having the power to dispose of or control the disposal of voting shares. It does not matter how remote the relevant interest is or how it arises. If two or more persons can jointly exercise one of these powers, each of them is taken to have that power.

Section 611 Item 7 of the Corporations Act 2001 sets out an exception to this prohibition if the public company has first obtained the approval of its Members by a resolution passed at a general meeting. Resolution 2 is a resolution for the purposes of meeting these requirements.

The post-consolidation CLD shares that are the subject of Resolution 2 are the same post-consolidation CLD shares that are the subject of Resolution 3 and to be issued to Dr. KC Tan and Ms. Pamela Jenkins, they are not a separate or additional parcel of post-consolidation CLD shares. Accordingly, neither Dr. KC Tan nor Ms. Jenkins, or their associates, may cast a vote in favor of Resolution 2.

Further, the Company must give to Members all of the information known to the person proposing to make the acquisition, or known to the Company, that was material to the decision on how to vote on the resolution, including the identity of the person proposing to make the acquisition and their associates and the maximum extent of the increase in that person’s voting power in the Company that would result from the acquisition, the voting power that person would have as a result of the acquisition, the maximum extent of the increase in the voting power of each of that persons associates that would result from the acquisition and the voting power that each of that person’s associates would have as a result of the acquisition. This required information is set out below.

Identity of the persons proposing to make the acquisition

Pursuant to Resolution 2, it is proposed that Members approve for the purpose of section 611 Item 7 of the Corporations Act 2001 the issue of 102,298,250 post-consolidation CLD shares to Dr. KC Tan. It is further proposed that Members approve for the purpose of section 611 Item 7 of the Corporations Act 2001 the issue of 21,324,600 post-consolidation CLD shares to Ms. Jenkins.

Dr. KC Tan & Ms. Jenkins’ associates

Dr. KC Tan and Ms. Jenkins are spouses and are therefore treated as being associated and as having an interest in each other’s post-consolidation CLD shares. Dr. KC Tan and Ms. Jenkins do not have an interest in any other CLD shares by way of association.

The voting power of Dr. KC Tan if Members approve the acquisition

The maximum extent of the increase in Dr. KC Tan's voting power in the Company that would result from the acquisition is 54.28%. The maximum extent of the increase in the voting power of Dr. KC Tan's associate, Ms Jenkins that would result from the acquisition is 11.32%. The indirect voting power of Dr. KC Tan in the Company that would result from the acquisition would be 65.6%

The voting power of Ms Jenkins if Members approve the acquisition

The maximum extent of the increase in Ms. Jenkins' voting power in the Company that would result from the acquisition is 11.32%. The maximum extent of the increase in the voting power of Ms Jenkins' associate, Dr. KC Tan that would result from the acquisition is 54.28%. The indirect voting power of Ms. Jenkins' in the Company that would result from the acquisition would be 65.6%

Information known to the Company that is material to the decision on how to vote on the resolution

The Company understands that Dr. KC Tan and Ms. Jenkins intentions regarding the future of the Company, if Members agree to the issue of post-consolidation CLD shares to them, are to pursue the business of ALC Group as described in this Explanatory Statement and accompanying Independent Expert's Reports.

Other information known to the Company that is material to the decision on how to vote on Resolution 2 is set out in this Explanatory Statement and in the Independent Expert's Report (Acquisition). The Report concludes that the issue of post-consolidation CLD shares the subject of Resolution 2 & 3 is fair and reasonable and that the advantages of the Proposal outweigh the disadvantages of the Proposal.

Members are urged to carefully read the Independent Expert's Report (Acquisition) to understand the nature of the acquisition, the methodology of the valuations used and the sources of information and assumptions made.

Other than the information disclosed in this Explanatory Statement and Independent Expert's Reports, and taking into account information that has previously been disclosed to Members, the Directors do not believe that there is any other information known to the Company that is material to the decision on how to vote on Resolution 2.

The Notice of General Meeting which this Explanatory Statement accompanies and forms part of incorporates a statement that votes cannot be cast by certain shareholders, in accordance with Item 7 of section 611 of the Corporations Act 2001. The effect of these restrictions is that the recipients of the shares the subject of Resolution 2 may not cast votes in favour of the Resolution 2 by the persons proposing to make the acquisition and their associates, or the persons (if any) from whom the acquisition is to be made and their associates (Dr. KC Tan & Ms. Pamela Jenkins). No variation or waiver of those restrictions has been sought or obtained by the Company.

3.3 Resolution 3, approval for proposed issue of post-consolidation shares

Resolution 3 is subject to all Resolutions being passed without amendment.

ASX Listing Rule 7.1 requires the prior approval of shareholders in general meeting to issue securities if the number of those securities exceeds 15% of the number of the same class of securities at the commencement of the relevant 12 month period. This rule does not apply in respect of an issue made with the approval of holders of ordinary securities under ASX Listing Rule 10.11. Listing Rule 10.11

articulates that an entity must not issue or agree to issue securities to, among others, a related party without the approval of holders of ordinary securities. A "related party" for the purposes of the Corporations Act 2001 is defined widely. It includes a director or proposed director of a public company. The definition is incorporated into the Listing Rules. If Members approve Resolution 8, Dr. KC Tan and Ms. Jenkins will become directors of the Company and are considered as related parties for the purpose of the implementation of the Proposal.

Subject to holders of ordinary securities approval, Dr. KC Tan will be issued a total of 102,298,250 post-consolidation CLD shares, deemed fully paid at an issue price of 20 cents each on issue in consideration for the Company's acquisition of all of Dr. KC Tan's fully paid ordinary shares held in the Holding Company. The post-consolidation CLD shares issued to Dr. KC Tan will rank equally (*pari passu*) with existing ordinary shares in the Company and will be issued no more than one month after the date of the Meeting.

Subject to holders of ordinary securities approval, Ms. Pamela Anne Jenkins will be issued a total of 21,324,600 post-consolidation CLD shares, deemed fully paid at an issue price of 20 cents each on issue in consideration for the Company's acquisition of all of Ms. Pamela Jenkins's fully paid ordinary shares held in the Holding Company. The CLD shares issued to Ms. Pamela Jenkins will rank equally (*pari passu*) with existing ordinary shares in the Company and will be issued no more than one month after the date of the Meeting.

Resolution 3 is the only Resolution, if approved that will result in the issue of post-consolidation CLD shares to Dr. KC Tan and Ms. Jenkins.

Note that under section 208 of Chapter 2E of the Corporations Act 2001 it is a requirement that for a public company to give a related party a financial benefit it must obtain member approval and give the benefit within 15 months after the approval. A related party includes a director or a person who has reasonable grounds to believe that they are likely to become a director. If Members approve Resolution 8, Dr. KC Tan and Ms. Jenkins will become directors of the Company.

A "financial benefit" for the purpose of the Corporations Act 2001 is also widely defined. It includes a public company issuing securities.

Section 210 of the Corporations Act 2001 sets out an exemption from the requirement that a public company to give a related party a financial benefit it must obtain member approval and give the benefit within 15 months after the approval. Under section 210, member approval is not needed to give a financial benefit on terms that are considered arm's length; that is on terms that would be reasonable in the circumstances if the public company and related party were dealing at arm's length or are less favourable to the related party than such terms.

The Independent Expert concluded that the issue of post-consolidation shares under Resolution 3, to Dr. KC Tan and Ms Jenkins, both of whom hold a reasonable belief that they may be appointed a director of the Company pursuant to Resolution 8, is based on arms length commercial terms and that no financial benefits have been given. As such, Resolution 3 is not a Resolution for the purposes of the related party provisions of Chapter 2E of the Corporations Act 2001.

The Notice of General Meeting which this Explanatory Statement accompanies and forms part of incorporates a statement that votes cannot be cast by certain shareholders, in accordance with ASX Listing Rules. The effect of this restriction is that Dr. KC Tan & Ms. Pamela Jenkins and their associates may not vote on Resolution 3. No variation or waiver of those restrictions has been sought or obtained by the Company.

3.4 Resolution 4, approval for proposed issue of post-consolidation shares

Resolution 4 is subject to all Resolutions being passed without amendment.

ASX Listing Rule 7.1 requires the prior approval of shareholders in general meeting to issue securities if the number of those securities exceeds 15% of the number of the same class of securities at the commencement of the relevant 12 month period. Also by obtaining shareholder approval, the Company retains the ability to issue further shares or options of up to fifteen percent (15%) of its ordinary shares under Chapter 7 to take advantage of opportunities to obtain further funds if required and available in the future.

Resolution 4 is proposed to obtain prior approval for a proposed issue of 61,007,550 post-consolidation CLD shares in consideration of the acquisition of all of the recipients respectively held fully paid ordinary shares in the issued capital of the Holding Company. The 61,007,550 post-consolidation CLD shares will be issued to the following recipients (and or their nominees) and in the following quantities:

Person/entity	**Number of post consolidation shares**
Mr. Lee, Kang Hoe	4,807,540
Mr. Ng, Guan Tee	8,499,930
Mr. Tan, Aik Hee Patrick	8,499,930
Mr. Tan, Siew Bin Ronnie	8,499,930
Mr. Teh, Wing Kwan	4,700,090
Castleridge Management Limited (and or nominees)	26,000,130

None of the above recipients are considered related parties within the meaning of the Corporations Act 2001. Further, by reason of the issue, none of the above will acquire a relevant interest in the Company. The recipients hold no other shares in the Company, and each of them have no indirect association, by agreement, trust, practice or otherwise, with any other recipient or shareholder of the Company. The recipients will only have the power to exercise or control the exercise of a right to vote in respect of the post-consolidation CLD shares that they are issued, and no other shares. The recipients will only have the power to dispose of, or the exercise of a power to dispose of, the post-consolidation CLD shares that they are issued, and no other CLD shares.

Subject to holders of ordinary securities approval, Mr. Lee, Kang Hoe will be issued a total of 4,807,540 post consolidation CLD shares, deemed fully paid at an issue price of 20 cents each on issue in consideration for the Company's acquisition of all of Mr. Lee's fully paid ordinary shares held in the issued capital of the Holding Company. There will be no funds raised by reason of the issue. The CLD shares issued to Mr. Lee will rank equally (*pari passu*) with existing ordinary shares in the Company and will be issued no more than three months after the date of the Meeting.

Subject to holders of ordinary securities approval, Mr. Ng, Guan Tee will be issued a total of 8,499,930 post consolidation CLD shares, deemed fully paid at an issue price of 20 cents each on issue in consideration for the Company's acquisition of all of Mr. Ng's fully paid ordinary shares held in the issued capital of the Holding Company. There will be no funds raised by reason of the issue. The CLD shares issued to Mr. Ng will rank equally (*pari passu*) with existing ordinary shares in the Company and will be issued no more than three months after the date of the Meeting.

Subject to holders of ordinary securities approval, Mr. Tan, Aik Hee Patrick will be issued a total of 8,499,930 post consolidation CLD shares, deemed fully paid at an issue price of 20 cents each on issue in consideration for the Company's acquisition of all of Mr. Tan, fully paid ordinary shares held in the issued capital of the Holding Company. There will be no funds raised by reason of the issue. The CLD shares issued to Mr. Tan, Patrick will rank equally (*pari passu*) with existing ordinary shares in the Company and will be issued no more than three months after the date of the Meeting.

Subject to holders of ordinary securities approval, Mr. Tan, Siew Bin Ronnie will be issued a total of 8,499,930 post consolidation CLD shares, deemed fully paid at an issue price of 20 cents each on issue in consideration for the Company's acquisition of all of Mr. Tan, fully paid ordinary shares held in the issued capital of the Holding Company. There will be no funds raised by reason of the issue. The CLD shares issued to Mr. Tan, Ronnie, will rank equally (*pari passu*) with existing ordinary shares in the Company and will be issued no more than one three months after the date of the Meeting.

Subject to holders of ordinary securities approval, Mr. Teh, Wing Kwan will be issued a total of 4,700,090 post consolidation CLD shares, deemed fully paid at an issue price of 20 cents each on issue in consideration for the Company's acquisition of all of Mr. Teh's fully paid ordinary shares held in the issued capital of the Holding Company. There will be no funds raised by reason of the issue. The CLD shares issued to Mr. Teh will rank equally (*pari passu*) with existing ordinary shares in the Company and will be issued no more than three months after the date of the Meeting.

Subject to holders of ordinary securities approval, Castleridge Management Limited (and or its nominees) will be issued a total of 26,000,130 post consolidation CLD shares, deemed fully paid at an issue price of 20 cents each on issue in consideration for the Company's acquisition of all of Castleridge Management Limited's fully paid ordinary shares held in the issued capital of the Holding Company. There will be no funds raised by reason of the issue. The CLD shares issued to Castleridge Management Limited (and or nominees) will rank equally (*pari passu*) with existing ordinary shares in the Company and will be issued no more than three months after the date of the Meeting.

The Notice of General Meeting which this Explanatory Statement accompanies and forms part of incorporates a statement that votes cannot be cast by certain shareholders, in accordance with ASX Listing Rules. The effect of this restriction is that the above recipients and their associates may not vote on Resolution 4. No variation or waiver of those restrictions has been sought or obtained by the Company.

3.5 Resolution 5, approval for selective reduction of share capital

Section 256B of the Corporations Act 2001 provides that a company may reduce its share capital if the reduction:

(a) is fair and reasonable to the company's shareholders as a whole;
(b) does not materially prejudice the company's ability to pay its creditors as a whole;
(c) is approved by shareholders.

Pursuant to the Company’s Constitution, the Company may reduce its share capital by any of the means authorised under the Corporations Act 2001, and where applicable, the Listing Rules of ASX. The Company may selectively reduce it share capital if it obtains member approval by resolution at a general meeting of its members pursuant to section 256C of the Corporations Act 2001. Because the reduction involves the cancellation of CLD shares, Resolution 5 is required to be approved by special resolution passed at a meeting of the person (Mr. Costarella) whose shares are to be cancelled. The meeting will be held upon conclusion of the meeting the subject of this Notice if Resolution 5 is passed.

The CLD shares to be cancelled if Resolution 5 is passed were issued deemed fully paid. There is no outstanding liability to the Company in respect of the CLD shares to be cancelled pursuant to Resolution 5.

It is not considered that the Company will incur detrimental opportunity costs if the cancellation of the shares proceeds.

Other information known to the Company that is material to the decision on how to vote on Resolution 5 is set out in this Explanatory Statement and in the Independent Expert Report (Disposal). Note that under Section 256(C) the Company does not have to include information if it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to its Members and in this regard the Company confirms that it has complied with its continuous disclosure obligations set out in the Corporations Act 2001 and Listing Rules of ASX.

Before the Notice of Meeting was sent to Members a copy of the Notice and this Explanatory Statement and accompanying Independent Expert’s Reports were lodged with ASIC. The Company will lodge a copy of Resolution 5 with ASIC within 14 days after it is passed. The Company will not make the reduction upon implementation of Resolution 5 until 14 days after lodgement.

Note that under section 208 of Chapter 2E of the Corporations Act 2001 it is a requirement that for a public company to give a related party a financial benefit it must obtain member approval and give the benefit within 15 months after the approval. A related party includes a director or a person who has reasonable grounds to believe that they are likely to become a director.

A “financial benefit” for the purpose of the Corporations Act 2001 is also widely defined. It includes a public company selling an asset to a related party. If Members approve Resolution 5, the Company will sell its current main undertaking; described above in Section 2.9(b) in consideration of the cancellation of the shares the subject of Resolution 5, to Mr. Aurelio Costarella, who, as director of the Company, is a related party of the Company.

Section 210 of the Corporations Act 2001 sets out an exemption from the requirement that a public company must obtain member approval to give a related party a financial benefit. Under section 210, member approval is not needed to give a financial benefit on terms that are considered arm’s length; that is on terms that would be reasonable in the circumstances if the public company and related party were dealing at arm’s length or are less favourable to the related party than such terms.

The Independent Expert's Report (Disposal) sets out information regarding the sale to Mr. Costarella together with out a detailed examination of the Proposal to enable shareholders to assess the merits and decide whether to approve the disposal of the Company's main undertaking and cancel Mr. Costarella's CLD shares.

The Independent Expert's Report (Disposal) concludes that the disposal is fair and reasonable and that no financial benefit is being given to Mr. Costarella. Shareholders are urged to carefully read the Independent Expert's Report (Disposal) to understand the nature of the transaction, the methodology of the valuations used and the sources of information and assumptions made.

Other than the information disclosed in this Explanatory Statement and in the Independent Expert's Reports, and taking into account information that has previously been disclosed to Members, the Directors do not believe that there is any other information known to the Company which could reasonably be expected to be material to Members in deciding on how to vote on Resolution 5.

3.6 Resolution 6, approval for change of activities

Resolution 6 is subject to all Resolutions being passed without amendment.

ASX Listing Rule 11.1 requires shareholder approval if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities. Resolution 6 is proposed for the purposes of meeting this requirement. Resolution 6 seeks Member approval to change the current activities of the Company from "Design of ready-to-wear and couture fashion" so that it may operate the business of health care providers, equipment and services.

If Members approve of the proposal to change the current activities as proposed it will enable the Company to continue to pursue the business of the ALC Group as described in this Explanatory Statement.

3.9 Resolution 7, approval for changing Company name

Resolution 7 is subject to all Resolutions being passed without amendment.

Resolution 7 seeks to obtain shareholder approval to change the name of the Company to **Asian Centre for Liver Diseases & Transplantation Ltd**. By reason of the proposed acquisition of the ALC Group, the Company's primary objectives will change to include the business of health care providers, equipment and services. The Directors believe that this new name more accurately reflects the proposed activities of the Company.

3.8 Resolution 8, approval for election of directors

The Proposal includes the appointment of Dr. KC Tan, Ms. Pamela Jenkins, Mr. Fong, Heng Boo and Mr. Kee Tang, as directors of the Company. Further details in respect of the proposed directors of the Company are set out in Section 2.4. The current Directors of the company will retire upon completion of the acquisition of the ALC Group. Senior management and staff of the ALC Group will remain with the ALC Group.

4. GLOSSARY

For the purpose of this Explanatory Statement:

"ALC Group" means both the Holding Company and the Subsidiary;

"Acquisition Agreement" means the Acquisition Agreement described in Section 2.9 (a);

"ASX" means ASX Limited ACN 008 624 691;

"ASIC" means the Australian Security and Investment Commission;

"CLD share "or CLD shares" means ordinary shares in the issued capital of the Company;

"CLD option" means one option entitling the holder to acquire a CLD share upon exercise;

"CLD securities" means CLD shares and CLD options;

"Convertible Note Agreement" means the Convertible Note Agreement described in Section 2.9(e);

"Consideration Shares" means the CLD shares to be issued in the consideration of the acquisition of the Holding Company pursuant to the Acquisition Agreement;

"Deed" means the Sale of Shares Deed;

"Gleneagles Hospital" means Gleneagles Hospital Pte Ltd of 6A Napier Road, Singapore;

"Holding Company" means Asian Centre for Liver Disease and Transplantation Inc. of PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands;

"Independent Expert's Reports" both the Independent Expert's Report (Acquisition) and Independent Expert's Report (Disposal);

"Independent Expert's Report (Acquisition)" means the Independent Expert's Report – Acquisition of Asian Centre for Liver Diseases and Transplantation Inc. dated 17 June 2009 prepared by DMR Corporate Pty Ltd and appended to this Explanatory Statement;

"Independent Expert's Report (Disposal)" the Independent Expert's Report Sale of the Fashion Design Subsidiaries dated 17 June 2009 prepared by DMR Corporate Pty Ltd and appended to this Explanatory Statement;

"Member" or "Members" mean a shareholder of the Company or the shareholders of the Company (as the case may be);

"Notice" means the Notice of Meeting of the Company to be held on 27 July 2009 at Level 15, 333 Collins Street, Melbourne, Victoria and dated 24 June 2009, which this Explanatory accompanies;

“Premises” means collectively wards 36B and 37 on level 2 at the Gleneagles Hospital;

“Proposed ALC Group” means the Company and its subsidiaries upon implementation of the proposal described in this Explanatory Statement;

“Parkway” means Parkway Holdings Limited and or its group of companies including Gleneagles Hospital Pte Ltd**;**

“Proposal” means the Companies proposed acquisition of the ALC as described in Section 2.1;

“Reports” means the Independent Expert’s Report (Acquisition) and the Independent Expert’s Report (Disposal);

“Sale of Shares Deed” means the Sale of the Shares Deed described in Section 2.9 (b);

“Section” means a section of this Explanatory Statement;

“SGD” means Singapore dollar;

“Subsidiary” means Asian Centre for Liver Diseases & Transplantation Pty Ltd Co. No. 199405221E of 10 Anson Road #13-16, International Plaza, Singapore.

“Tenancy Agreements” means the tenancy agreements in respect of the Premises;

“Vendor’s” means the vendors set out in Section 2.10;

“$” means Australian dollar.

Appendixes

A Independent Expert's Report – Acquisition of
Asian Centre for Liver Diseases and Transplantation Inc

B Independent Expert's Report
Sale of the Fashion Design Subsidiaries

DMR CORPORATE

DMR Corporate Pty Ltd A.C.N. 063 564 045
470 Collins Street
Melbourne Telephone (03) 9629 4277
Victoria 3000 Facsimile (03) 9629 4598
Australia Web www:dmrcorporate.com.au

17 June 2009

The Directors
Costarella Design Limited
23 View Street
North Perth
WA 6006

Dear Sirs,

INDEPENDENT EXPERT'S REPORT – ACQUISITION OF ASIAN CENTRE FOR LIVER DISEASES AND TRANSPLANTATION INC.

1. Introduction

You have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report in respect of the proposed acquisition of Asian Centre For Liver Diseases and Transplantation Inc (a company incorporated in the British Virgin Islands) and its wholly owned subsidiary Asian Centre For Liver Diseases & Transplantation Pte. Ltd. (a company incorporated in Singapore)(collectively referred to as "ACLT" throughout this report) by Costarella Design Limited ("Costarella" or "the Company"). The transaction, as set out in Section 2 below, is permitted by Section 611 of the Corporations Act 2001 ("the Act") provided it is agreed to by shareholders.

Costarella was incorporated in February 2000 as a proprietary company and it changed its status to a public company in 2006. In March 2007 Costarella was listed on the Australian Securities Exchange ("ASX") following a capital raising of approximately $1,895,000. The main objectives in raising new capital funds included:

- increased market penetration in the US, Europe, Asia and Australian markets;
- continuing product development;
- development of accessory and beauty lines; and
- the payment of ASX listing fees and capital raising costs.

As Costarella has incurred operating losses in excess of $2,500,000 over the last 18 months, Costarella now proposes to sell the entire issued capital of the loss making subsidiaries, which operate in the wholesale fashion design area, to an entity controlled by Mr. Aurelio Costarella (the Managing Director of Costarella)("Mr. A. Costarella").

Following the sale of the subsidiaries Costarella will then acquire all the shares in ACLT for the issue of 184,630,400 new Costarella shares on a post share consolidation basis - 1 new share for each 16.67 existing shares. The shareholders of ACLT will control over 98.9% of the enlarged capital base following the completion of the proposed transactions.

2. The Proposed Transactions

2.1 Description of the Proposed Transactions

Costarella proposes to enter into the following transactions:

(a) The sale of all of the issued shares in Aurelio Costarella Pty Ltd, Su Design Pty Ltd and Costarella Design Asia Pte Ltd to Mr. A. Costarella;

(b) The selective reduction of capital – 18,000,000 shares currently held by Mr. A. Costarella;

(c) The consolidation of the Company's issued share capital on the basis of 1 new share for every 16.67 shares currently held by shareholders; and

(d) The acquisition of all of the issued shares in ACLT in consideration for the issue of 184,630,400 new shares in the Company.

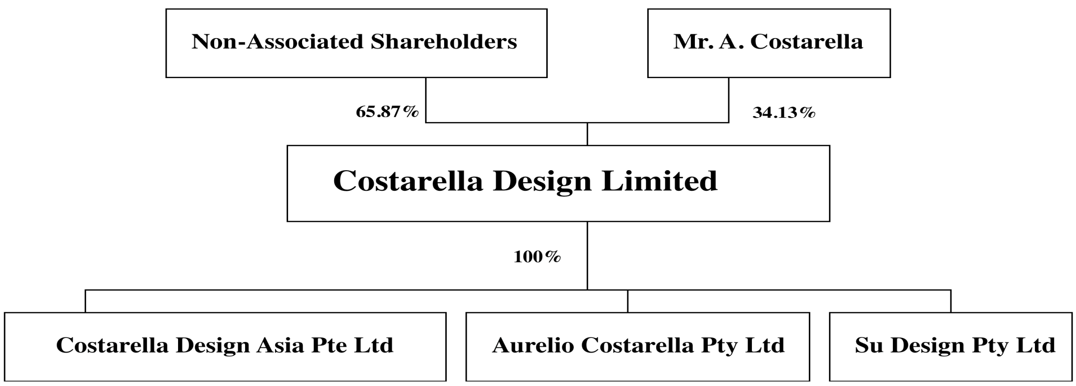
Transaction (d) is dependent on the shareholders approving transactions (a) to (c) and also dependent upon the Company securing regulatory approvals, where applicable, from the Australian Securities and Investments Commission ("ASIC") and ASX together with the approval of shareholders.

Transactions (a), (b) and (d) above represent the proposed transactions upon which we have been requested to report. Transactions (a) and (b) above are the subject of a separate report attached to the Explanatory Statement in Section 4.1 and Transaction (d) ("the Proposed Transaction") is the subject of this report.

Shareholders are required to approve the Proposed Transaction as Dr. KC Tan and Ms Pamela Jenkins (major shareholders in ACLT) will acquire a relevant interest in 66.2% of Costarella's voting power.

2.2 Effect of the Proposed Transactions on Shareholders

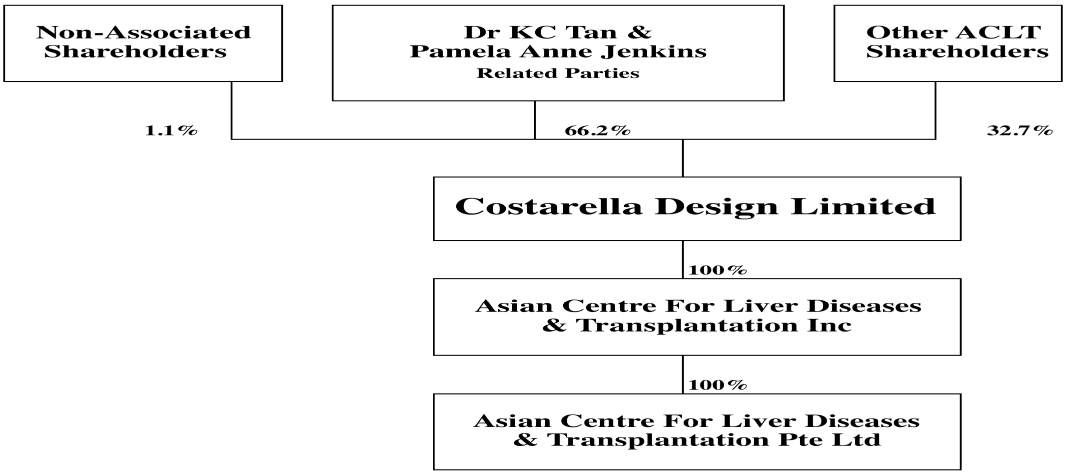
Prior to any of the transactions detailed in Sections 2.1(a) to (d) above taking place, Costarella's shareholdings and structure were as follows:



Assuming that all of the transactions detailed in Sections 2.1(a) to (d) above occur and Amrita Capital Pte Ltd ("Amrita") converts its convertible note ($580,000), then:

(a) Mr. A. Costarella will own 100% of Costarella Design Asia Pte Ltd, Aurelio Costarella Pty Ltd and Su Design Pty Ltd but he will not hold any shares in Costarella; and

(b) the relative shareholding percentages of the key shareholders in Costarella and its new wholly owned subsidiaries become:



The issuance of shares for the acquisition of ACLT will result in the ACLT shareholders controlling an interest of approximately 98.9% of Costarella's issued capital. More importantly Dr. KC Tan and Ms Pamela Jenkins will hold a relevant interest of 66.2% in Costarella's voting power and this is only permitted if prior shareholder approval has been obtained pursuant to Section 611 of the Act.

The directors have requested that we prepare an independent expert's report in accordance with ASIC Regulatory Guide 74 – Acquisitions agreed to by shareholders and Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 74 requires Costarella to advise shareholders whether the Proposed Transaction is fair and reasonable, when considered in the context of the interests of the shareholders, other than those involved in the Proposed Transaction or persons associated with such persons (i.e. the Non-Associated Shareholders).

The directors have requested DMR Corporate to independently assess whether the Proposed Transaction detailed in paragraph 2.1(d) above is fair and reasonable to the Non-Associated Shareholders.

3. Summary Opinions

Acquisition of ACLT

In our opinion, the Proposed Transaction set out in Section 2.1(d) above is **fair and reasonable** when considered in the context of the interests of the Non-Associated Shareholders of Costarella.

Our principal reasons for reaching the above opinion are:

In Section 7.7 we valued the Non-Associated Shareholders interests in Costarella before the proposed transactions at Nil.

In Section 9.4 we valued Costarella after the completion of the proposed transactions in a range of $10,000,000 to $12,000,000. The Non-Associated Shareholders will hold a 1.1% interest in the Company following the completion of the proposed transactions so their interests will be valued in a range of $110,000 to $132,000.

As the value of the Non-Associated Shareholders interests after the completion of the proposed transactions is greater than the value of their interests before the proposed transactions, we have concluded that the Proposed Transaction is fair.

Overall Conclusion

After considering all of the information available to us in respect of the proposed transactions, we consider that **the Proposed Transaction is fair and reasonable** as the advantages of proceeding with the transaction outweigh the disadvantages of proceeding with the transaction.

4. Structure of this Report

This report is divided into the following Sections:

5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **Corporations Act 2001**

  Section 606 of the Act contains a general prohibition on the acquisition of shares in a company if, as a result of the acquisition, any person increases his or her voting power in the company from 20% or below to more than 20%.

  Section 611 of the Act contains an exception to the Section 606 prohibition. For an acquisition of shares to fall within the exception, the acquisition must be approved in advance by a resolution passed at a general meeting of the company in which shares will be acquired.

Costarella will be seeking shareholder approval for the Proposed Transaction under Section 611 of the Act, as Dr. KC Tan and Ms Pamela Jenkins will increase their interests in Costarella from nil to more than 20% if the Proposed Transaction proceeds.

- **ASIC Regulatory Guides**

This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

RG 111 – Content of Expert Reports ("RG111")

RG 111.21 An issue of shares by a company otherwise prohibited under S606 may be approved under item 7 of S611 and the effect on the company's shareholding is comparable to a takeover bid. Examples of such issues approved under item 7 of S611 that are comparable to takeover bids under Ch 6 include:

(a) a company issues securities to the vendor of another entity or to the vendor of a business and, as a consequence, the vendor acquires over 20% of the company incorporating the merged businesses. The vendor could have achieved the same or a similar outcome by launching a scrip takeover for the company …….

RG111.24 There may be circumstances in which the allottee will acquire 20% or more of the voting power of the securities in the company following the allotment or increase an existing holding of 20% or more, but does not obtain a practical measure of control or increase its practical control over that company. If the expert believes that the allottee has not obtained or increased its control over the company as a practical matter, then the expert could take this outcome into account is assessing whether the issue price is 'reasonable' if it has assessed the issue price as being 'not fair' applying the test in RG111.10.

RG111.9 It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in S640 established two distinct criteria for an expert analysing a control transaction:

(a) is the offer 'fair'; and
(b) is it 'reasonable'?

That is, 'fair and reasonable' is not regarded as a compound phrase.

RG111.10 Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity, it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.

RG111.11 An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

As the Proposed Transaction will result in Dr. KC Tan and Ms Pamela Jenkins gaining up to a 66.2% interest in Costarella's voting power ASIC Regulatory Guide 111 requires that the Proposed Transaction be assessed as if it was a takeover of Costarella.

In assessing a takeover bid Regulatory Guide 111 states that the expert should consider whether the Proposed Transaction is both "fair" and "reasonable".

- **General**

The terms "fair" and "reasonable" are not defined in the Act so we have defined them for the purpose of this report as:

Fairness	-	the Proposed Transaction is "fair" if the value of the Non-Associated Shareholders interests after the Proposed Transaction is greater than the value of their interests before the Proposed Transaction.
Reasonableness	-	the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being "fair" but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

In determining whether the Proposed Transaction is fair, we have:

- valued the Non-Associated Shareholders interests in Costarella before the Proposed Transaction;
- valued the Non-Associated Shareholders interests in Costarella after the Proposed Transaction;
- compared the values before and after the Proposed Transaction.

In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors, which the Non-Associated Shareholders should consider prior to accepting or rejecting the Proposed Transaction.

6. Costarella - Key Information

6.1 Background

Costarella conducts the business of wholesale and retail fashion design and the distribution of garments and accessories. It became a listed public company in March 2007 when it raised $1,895,000 capital with the objective of international expansion of its fashion design business and development into new product lines. To date these objectives have not been achieved and large losses have been incurred over the last 2 years.

6.2 Share Capital

As at 27 April 2009 Costarella had 52,739,477 fully paid ordinary shares on issue and the major shareholders of Costarella are presented in Appendix A. As at 27 April 2009 the top 20 shareholders hold 70.8% of the issued ordinary capital of Costarella.

As at 27 April 2009 Costarella had 22,430,200 options on issue. The options have an exercise price of $0.20 each and they expire on 30 September 2010. Costerella also has 2,750,000 performance options on issue with an exercise price of $0.07 each and an expiry date of 11 June 2013.

As all of the options are well out of the money we do not consider that they will be exercised and we have not taken them into account in our calculations throughout the remainder of this report.

6.3 Balance Sheets

Costarella's consolidated Balance Sheets as at 30 June 2007, 30 June 2008 and 31 December 2008 are detailed in Appendix B-1.

6.4 Operating Performance

Costarella's consolidated Income Statements for the 2007 and 2008 financial years are detailed in Appendix B-2 and the Cash Flow Statements in Appendix B-3. Costarella's reviewed Income Statement for the six months ended 31 December 2008 is also set out in Appendix B-2.

7. Valuation of Costarella

7.1 Net Assets

The audited balance sheet as at 30 June 2008 disclosed net assets of $370,251 - refer Appendix B-1.

Subsequent to the issuance of the 30 June 2008 financial statements operating losses of $954,407 have been incurred in the six months to 31 December 2008 and the reviewed balance sheet as at 31 December 2008 discloses a deficiency of net assets of $584,156 – refer Appendix B-1. Based on the net asset backing valuation methodology, Costarella has a Nil value.

7.2 Orderly Realisation

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. This method may ignore the ability of the asset base of the business to generate ongoing future earnings at a level sufficient to justify a value in excess of the value of its assets in an orderly realisation. Costs associated with the sale of the assets or business segments are deducted as part of the assessment.

The Costarella fashion design and distribution business is dependent upon the design team headed by Mr. A. Costarella and without his services there would be no business segment to sell. Even if Mr. A. Costarella's services could be secured, we do not consider that the fashion design and distribution business could be sold as it has been incurring operating losses for the last 2 years.

Costarella is a listed entity on ASX and generally a residual value can be ascribed to the listed shell that remains after the existing business has stopped operating. This value can only be realised via the backdoor listing of a new business into the existing shell. In our experience, the value ascribed to a listed shell on ASX is in the range of $350,000 to $400,000.

The deficiency of net assets has been adjusted by these amounts to determine a net deficiency of assets in a range of $234,156 to $184,156 for Costarella under the orderly realisation valuation methodology. Based on the 52,739,477 shares on issue this equates to a nil value per share.

Based on the orderly realisation valuation methodology, Costarella is valued at Nil.

7.3 Earnings Valuation

Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax, or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

As Costarella does not have an operating and profitable business, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value Costarella.

7.4 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and assessment of the residual value of the business remaining at the end of the forecast period.

As Costarella does not have a business capable of producing long-term cash flows, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value Costarella.

7.5 Alternate Acquirer

The value that an alternative offeror may be prepared to pay to acquire Costarella is a relevant valuation methodology to be considered.

In this instance we are not aware of any alternative offer for Costarella and we can see no reason as to why an offer would be initiated prior to the Proposed Transaction taking place.

7.6 Share Price History

The Company's shares have been trading based on the operating performance of Costarella's underlying business. The volume weighted average price ("VWAP") of the Costarella shares from 1 January 2009 to 15 April 2009 (the date immediately prior to the announcement that the Company had entered into a Share Sale & Purchase Agreement to acquire ACLT and a Sale Agreement for the disposal of the three subsidiaries to Mr. A. Costarella) was $0.012 based on a turnover volume of 480,169 shares with a value of $5,762.

Share Prices

The share prices have been falling steadily over the last 12 months from a high of $0.05 in April 2008 to a low of $0.012 in March 2009 on very low turnover.

Share Volumes

The table in Appendix B-4 shows that the total volume of shares traded was 5,030,335 and this equates to approximately 9.5% of the shares currently on issue. As the period represented in Appendix B-4 is approximately twelve months, this indicates that the stock is illiquid. Turnover volumes have fallen in the last 45 days with only 18,000 shares being traded.

Summary – Share Price History

Based on the above information, we have formed the opinion that the Costarella shares have a market value of $0.012 per share. This equates to a total market value of $632,874.

We consider that the above share price is excessive for a company with Costarella's trading history and negative net assets, that the share price has been determined based on the sales of minority parcels of shares and that there has been an insufficient volume of sales to establish a true market value for the shares.

For these reasons we consider that the share price valuation methodology cannot be applied to a valuation of Costarella.

7.7 Conclusion

A summary of the valuation methodologies that we considered applicable in valuing Costarella is as follows:

	Low	High
Net Assets	Nil	Nil
Orderly Realisation	Nil	Nil

In our opinion, having regard to the results of the applicable valuation methodologies as summarised in the above table, the Costarella shares currently have a Nil value.

8. ACLT – Key Information

8.1 Background

K.C. Tan Liver Centre Pte Ltd was founded in 1994 by Dr. KC Tan to specialize in the fields of hepatobiliary and liver transplant surgery. In March 2004 it changed its name to ACLT. ACLT is now a highly recognized organization in the region and was the first specialist medical group in Asia to provide comprehensive, multi-disciplinary treatments of liver diseases. ACLT is currently the largest private liver transplant center in South East Asia, spearheaded by a world-renowned and well-respected hepatologist and liver transplant surgeon, Dr. KC Tan.

ACLT was also the first private medical center in South East Asia to perform more than 100 liver donor transplants resulting in it being recognized as the premier liver care center in the region or more specifically, in Singapore.

ACLT operates in Gleneagles Hospital, Singapore. Gleneagles Hospital received Ministry approval in January 2002 to perform living donor liver transplantation in Singapore and the first adult-to-adult living donor liver transplant in South East Asia was successfully performed by Dr. KC Tan in the Gleneagles Hospital.

The following table shows the key historical milestones of Dr. KC Tan -

Year	Milestones
1990	The world's first heart-and-liver transplant (liver transplant was performed by KC Tan)
1991	First split-liver transplant in the UK
1992	First auxiliary liver transplant for liver failure in the UK
1993	First pediatric living donor liver transplant in the UK Second auxiliary liver transplant for metabolic disease in the world
1995	First pediatric living donor liver transplant in Southeast Asia
1997	Second split liver transplant in Asia
2002	First successful adult living donor liver transplant in Southeast Asia
2004	First patient transplanted from Pakistan First patient transplanted from Sri Lanka First patient transplanted from Myanmar
2005	First patient transplanted from Bangladesh
2006	First patient transplanted from UAE
2007	First private medical centre to successfully operate on the 100th live donor liver transplantation in Asia

8.2 Key Aspects of ACLT's Operations

The key aspects of ACLT's operations can be summarized as follows:

- Capital investments have been minimal as ACLT has operating lease arrangement with Gleneagles Hospital for its surgeries and other medical facilities. The hospital also provides ACLT with nursing staff support;
- The ACLT operations contribute significantly to the revenues of Gleneagles Hospital and rank in the top-3 in terms of the hospital revenue performance chart;
- ACLT has an experienced team of consultant surgeons in liver transplantation and hepatobiliary surgery for both adults and children, treating an average of 7,000 patients annually (more than 90% of the patients are from Asia, Africa and the Middle East). ACLT also engages other medical specialists, from an approved panel, for patients to be treated in an integrated manner should they require so;
- ACLT has 8 liver intensive care units and 15 general-bed wards being specifically allocated by the hospital management for ACLT patients. ACLT may need to increase its allocation of these facilities given the number of inpatients they are treating;

- ACLT patients are those notably affluent patients who expect a high degree of reliability and quality in treatment outcomes and service standards. ACLT is able to maintain its niche in this particular medical segment given its track record and its founder's reputation;

- ACLT has been at the forefront of clinical advancement developing clinical expertise to perform complicated surgeries and provide optimal medical care for its patients. As a result, ACLT has seen higher success rates, more rapid enrollments (referrals and/or direct), improved outcomes and greater satisfaction of its patients.

8.3 Share Capital

As at the date of this report ACLT has on issue 1,000,010 fully paid ordinary shares, held by the shareholders listed in Appendix C.

8.4 Balance Sheets

ACLT's financial year-end is 31 August and the Balance Sheets as at 31 August 2006, 2007 and 2008 are attached as Appendix D-1 together with the financial information as at 28 February 2009.

8.5 Income Statements

ACLT's Income Statements for the financial years ended 31 August 2006, 2007 and 2008 are attached as Appendix D-2 together with the income statement for the six months ended 28 February 2009.

9. Valuation of ACLT

9.1 Net Assets

The audited balance sheet as at 31 August 2008 disclosed net assets of S$3,064,733 and the unaudited management accounts as at 28 February 2009 disclose net assets of S$3,770,658 – Appendix D-1.

On 3 March 2009 ACLT paid a dividend of S$3,206,000 and this reduced the net asset backing to S$564,658. Following the payment of the dividend the amounts due to (S$918,907) and from directors (S$4,126,999) were settled.

Based on the net asset valuation methodology ACLT has a value of S$564,658. Based on an exchange rate of A$1.00 = S$1.10 this equates to A$513,325 – say A$513,000.

9.2 Capitalisation of Future Maintainable Earnings

9.2.1 This method involves capitalizing the estimated future maintainable earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits.

There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax – Price Earnings or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business. Other variations to EBIT include 'Earnings Before Interest, Tax, Depreciation and Amortization' – EBITDA and 'Earnings Before Interest, Tax, and Amortization' – EBITA.

We have determined that the EBITDA should be used to determine the future maintainable earnings as this is the closest approximation you can get to the actual cash flows from the business.

9.2.2 Operating Performance

The ACLT business has been controlled by Dr. KC Tan and Ms Pamela Jenkins since incorporation in 1994 and its operating performance over the last three and a half years has been:

	Audited Year Ended 31/8/2006 S$	Audited Year Ended 31/8/2007 S$	Audited Year Ended 31/8/2008 S$	Management Six Months Ended 28/2/2009 S$
Profit before income tax	1,574,452	854,133	3,007,686	788,043
Income tax expense	(441,594)	(357,197)	(579,864)	(82,117)
Net profit for the period	1,132,858	496,936	2,427,822	705,926

Normalisation of Profits

As ACLT has operated as a private company, we have reviewed the historical profit and loss statements and made the following adjustments to normalise the profits:

	Year Ended 31/8/2006 S$	Year Ended 31/8/2007 S$	Year Ended 31/8/2008 S$	Six Months Ended 28/2/2009 S$
Profit before income tax	1,574,452	854,133	3,007,686	788,043
Non-core investments written off	687,500	857,870	650,786	-
Salary adjustments – Dr. KC Tan	(297,860)	324,715	290,000	242,112
Travel costs – non recurring	96,196	-	-	-
Bad debt written off – non-recurring	-	63,120	-	-
Adjustment for over accruals	202,502	109,837	(450,555)	-
Normalised Profits	2,262,791	2,319,875	3,497,917	1,030,155
Interest income	(3,635)	(2,360)	(11)	(1,036)
EBIT	2,259,156	2,317,515	3,497,906	1,029,120
Depreciation and amortisation	15,915	12,761	9,119	12,033
EBITDA	2,275,071	2,330,276	3,507,025	1,041,153

Based on the above we consider that the future maintainable EBITDA is in a range of S$2,200,000 to S$2,400,000.

9.2.3 Multiples

We have reviewed the companies classified by the ASX in their 'Health Care Equipment & Services Sector' and we have not identified any listed companies that may be directly comparable to ACLT.

We reviewed the EBITDA multiples for several of the companies listed in the 'Health Care Equipment & Services Sector' however as each of these companies was substantially larger, had diversified businesses and geographic spread we concluded that their multiples would not be comparable to ACLT.

In November 2008 we were involved with a valuation of a non-listed proprietary company in the medical sector and we consider that this company may be comparable to ACLT. For reasons of client confidentiality we cannot detail the name of the company however the key parameters were as follows:

1. EBIT increased from $5 million in 2004 to $7 million in 2007.
2. Profit after tax increased from $3 million in 2004 to $5 million in 2007.
3. Dividends were paid in each of the 2004 to 2007 financial years.
4. There were share transfers and a share buy-back during the 2004 – 2007 period which established an arm's length share price.

After analysing the financial information and considering the above information we concluded that the EBITDA multiples increased from 5.5 in 2004 to 6.5 in 2007.

We have considered the above private company valuation in our determination of the multiple that should be applied in a valuation of ACLT together with the falls in multiples generally as a result of the global financial crisis, the high degree of dependency that the ACLT business has on Dr. KC Tan, the fact that it will be difficult to pay franked dividends with the income being earned offshore and we have concluded that an EBITDA multiple in a range of 5.0 to 5.5 should be used in our ACLT valuation.

9.2.4 Valuation

Based on the above, we have valued ACLT as follows:

	Section	Low	High
Estimated future maintainable EBITDA	9.2.2	S$2,200,000	S$2,400,000
Multiple	9.2.3	5.0	5.5
Valuation		S$11,000,000	S$13,200,000

9.2.5 Conclusion

Based on the above we have valued ACLT in a range of S$11,000,000 to S$13,200,000 and using an exchange rate of A$1.00 = S$1.10 this equates to A$10,000,000 to A$12,000,000.

9.3 Share Price History

Asian Centre For Liver Diseases & Transplantation Pte. Ltd. was a privately owned company and there have been no transfers of shares between the date of incorporation and the date of the preliminary restructuring.

As part of the preliminary restructuring before the Proposed Transaction is completed, the 10 issued shares in Asian Centre For Liver Diseases & Transplantation Pte. Ltd. were transferred to Asian Centre For Liver Diseases and Transplantation Inc for the issuance of 1,000,000 new shares for a consideration of US$1,000,000 (accepted by the directors as the equivalent of S$1,500,000) and the payment of S$1,500,000 in 15 equal monthly instalments commencing on the completion date. This equates to a value of S$3,000,000 and that is the value attributed to the Asian Centre For Liver Diseases & Transplantation Pte. Ltd. share transfer forms in Singapore.

Subsequent to the above transactions, Dr. KC Tan and PA Jenkins have transferred a percentage of their share holdings in Asian Centre For Liver Diseases and Transplantation Inc to 5 other shareholders who are business associates.

As the share transfers were not on an arms length basis, we do not consider that this valuation methodology is an applicable methodology to use to value ACLT.

9.4 Conclusion

A summary of the valuation methodologies that we considered applicable in valuing ACLT is as follows:

	Low	High
Net Assets	A$600,000	A$600,000
Capitalisation of Future Maintainable Earnings	A$10,000,000	A$11,000,000

In our opinion the capitalisation of future maintainable earnings is the most appropriate valuation methodology to use to value ACLT and we have therefore concluded that ACLT is valued in a range of A$10,000,000 to A$11,000,000.

10. Control Premium

A control premium represents the difference between the price that would have to be paid for a share to which a controlling interest attaches and the price at which a share which does not carry with it control of the company could be acquired.

If the proposed transactions are approved by shareholders, then Dr. KC Tan and Ms Pamela Jenkins will control 123,622,850 shares or 66.2% of Costarella's voting power or 65.6% following the conversion of the Amrita convertible note of A$580,000.

In Section 7.7 above we valued Costarella as an entity at a Nil value and therefore its shares would be valued at Nil.

Following the acquisition of ACLT and the conversion of the Amrita Note, the present Non-Associated shareholders will retain 2,083,950 shares in Costarella (1.1%) and the value of these shares above nil represents the premium that Dr. KC Tan and Ms Pamela Jenkins will pay as a control premium. This value is 1.10% of $10,000,000 to $12,000,000, which equals $110,000 to $132,000.

11. Assessment as to Fairness and Other Significant Factors

11.1 Assessment as to Fairness

In Section 7.7 we valued the present Non-Associated Shareholders interests in Costarella before the proposed transactions at Nil.

In Section 9.4 we valued Costarella after the completion of the proposed transactions in a range of $10,000,000 to $12,000,000. The Non-Associated Shareholders will hold a 1.1% interest in the Company following the completion of the proposed transactions so their interests will be valued in a range of $110,000 to $132,000.

As the value of the Non-Associated Shareholders interests after the completion of the proposed transactions is greater than the value of their interests before the proposed transactions, we have concluded that the Proposed Transaction is fair.

11.2 Other Significant Factors

- The Non-Associated Shareholders are receiving a premium in a range of $110,000 to $132,000 if the proposed transactions proceed.
- Costarella will have an ongoing profitable business activity. This should give shareholders a market for their current shareholdings in the Company whereas at the present time shareholders have very little opportunity to sell their shares due to the fall in prices and very few buyers.
- The restructure will increase the value of every current Costarella shareholders' interests in Costarella.
- The proposed transactions will increase the net asset backing of the Company's shares.
- There will be a high degree of dependency on Dr. KC Tan as the leading surgeon in the ACLT business.
- The profits from the ACLT business will be earned offshore so the Company will be unable to pay franked dividends under the existing applicable taxation rules in Australia.
- There will be minimal liquidity in the Costarella shares due to eight shareholders holding in excess of 97% of the issued capital and this may depress the price of the shares.

11.3 Overall Conclusion

After considering all of the information available to us in respect of the Proposed Transaction, we consider that the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders.

12. Assessment of Financial Benefits – Related Parties

In Section 7.7 above we valued the Costarella shares at Nil. As Dr. KC Tan and Ms Pamela Jenkins are receiving 123,622,850 Costarella shares valued at Nil for selling their interests in ACLT we do not believe that they are receiving any financial benefits.

For the purposes of Chapter 2E of the Act, we consider that the Proposed Transaction has been based on arm's length commercial terms as the ACLT shareholders will retain a 98.9% interest in the ACLT business after the completion of the Proposed Transaction and the loss of the 1.1% interest represents the cost that the ACLT shareholders are bearing.

13. Financial Services Guide

13.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

13.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide reports for the purposes of acting for and on behalf of investors in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale investors.

13.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate's independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

13.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

13.5 Independence

At the date of this report, none of DMR Corporate, Derek M Ryan nor Paul Lom has any interest in the outcome of the proposed transactions, nor any relationship with Costarella, ACLT or their shareholders.

13.6 Remuneration

DMR Corporate is entitled to receive a fee of $17,500 for the preparation of this report and a fee of $17,500 for the preparation of our other report issued pursuant to ASX Listing Rule 10 and Chapter 2E of the Act. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report.

13.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have a system for handling complaints from persons to whom DMR Corporate provide financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd

D. M Ryan

Derek Ryan
Director

Paul Lom

Paul Lom
Director

Appendix A-1

Costarella Design Limited

20 Largest Shareholders as at 27 April 2009

Name	Number of Fully Paid Ordinary Shares
Aurelio Costarella <Costarella Investments A/C>	18,000,000
Powerwide Pty Ltd	2,000,000
Amrita Capital Pty Ltd	1,666,667
Ong Kok Wah	1,666,667
Lim Ho Kee	1,666,661
Peter Francis Caughey <Mercury Business Services A/C>	1,566,666
Eladin Pty Ltd <GTG Superannuation A/C>	1,233,334
Rimoh Pty Ltd <Corsaire A/C>	1,083,033
Santino Di-Giacomo	1,073,500
DBS Vickers Securities (Singapore) Pte Ltd	910,169
Versailles Holdings Pty Ltd <The Almonte Family A/C>	800,000
Ravindan Govindan	750,000
Blair Edward Sergeant & Bronwyn Gaye Lukic <Rio Grand Do Norte A/C>	697,500
Rimoh Pty Ltd <Surcouf Super Fund A/C>	693,334
Eladin Pty Ltd <Eladin Family A/C>	693,333
Brian Lee and Audrey Lee	625,000
Primebase Nominees Pty Ltd	600,000
Clevedon Nominees Pty Ltd <Mack Property Fund A/C>	563,500
Karen Julie Beazley <The Karen Beazley Family A/C>	550,000
Sonia Alma Audino	500,000
Total number of shares held by the twenty largest holders	37,339,664

Total shares on issue – 52,739,477

The percentage of the total holding of the twenty largest holders of ordinary shares was 70.80%

Source: Costarella Share Register 27 April 2009

Appendix A-2

Costarella Design Limited

20 Largest Option Holders as at 27 April 2009

Name	Number of Listed Options Expiring 30/09/10 @ 20c
Merrill Lynch (Australia) Nominees Pty Ltd	6,040,000
Aurelio Costarella	2,000,000
Rimoh Pty Ltd	1,231,370
Jennifer Jill Fogarty	1,000,000
Celtic Capital Pty Ltd <The Celtic Capital A/C>	937,500
Foundation Superannuation Fund Pty Ltd <Foundation Super Fund A/C>	850,000
Platinum United Securities Pty Ltd	750,000
James Anthony Ellis	749,833
Ian Ralph Lonnie & Margaret Rose Lonnie <M I Superannuation Fund A/C>	739,250
Planmoor Investments Pty Ltd	652,500
Simon Lee Robertson & Myfanwy Lynette Edwards <Robward Investment A/C>	643,750
Eladin Pty Ltd <Eladin Family A/C>	541,667
Enzo Almonte <The Almonte Superannuation Fund A/C>	500,000
Paul Gregory Brown & Jessica Oriwia Brown <Brown Super Fund A/C>	500,000
Eladin Pty Ltd < GTG Superannuation A/C>	471,667
Equitas Nominees Pty Ltd < Group A A/C>	406,250
Brian Lee & Audrey Lee	362,500
Sky Rocket Investments Pty Ltd < Sky Rocket Investments A/C>	300,000
John Richard Snell	300,000
Blair Edward Sergeant & Bronwyn Gaye Lukic <Rio Grand Do Norte S/F A/C>	273,750
Total number of options held by the twenty largest holders	19,250,037

Total options on issue – 22,430,200

The percentage of the total holding of the twenty largest holders of options was 85.82%

Source: Costarella Option Register 27 April 2009

Appendix B-1

Costarella Design Limited

Balance Sheets

	Audited 30/6/2007 $	Audited 30/6/2008 $	Reviewed 31/12/2008 $
CURRENT ASSETS			
Cash and cash equivalents	1,056,103	110,816	59,224
Trade and other receivables	45,307	87,904	80,157
Inventories	293,662	346,176	188,152
Prepayments	17,511	22,447	14,069
TOTAL CURRENT ASSETS	1,412,583	567,343	341,602
NON CURRENT ASSETS			
Property, plant & equipment	164,719	138,568	117,403
Inventories	173,933	128,329	-
TOTAL NON CURRENT ASSETS	338,652	266,897	117,403
TOTAL ASSETS	1,751,235	834,240	459,005
CURRENT LIABILITIES			
Trade and other payables	282,061	352,044	519,101
Borrowings	20,800	42,588	437,783
Provisions	48,382	51,611	52,386
TOTAL CURRENT LIABILITIES	351,243	446,243	1,009,270
NON CURRENT LIABILITIES			
Borrowings	27,913	-	15,090
Provisions	15,702	17,746	18,801
TOTAL NON CURRENT LIABILITIES	43,615	17,746	33,891
TOTAL LIABILITIES	394,858	463,989	1,043,161
NET ASSETS	1,356,377	370,251	(584,156)
EQUITY			
Issued capital	2,179,887	2,480,252	2,480,252
Reserves	-	325,555	325,555
Accumulated losses	(823,510)	(2,435,556)	(3,389,963)
TOTAL EQUITY	1,356,377	370,251	(584,156)

Source : 2008 Annual Report and reviewed half yearly financial statements as at 31 December 2008

Appendix B-2

Costarella Design Limited

Income Statements

	Audited Year Ended 30/6/2007 $	Audited Year Ended 30/6/2008 $	Reviewed Six Months Ended 31/12/2008 $
Revenue from Continuing Operations	619,778	745,891	521,001
Cost of sales	(362,187)	(528,653)	(493,297)
Gross profit	257,591	217,238	27,704
Other income	77,389	155,129	45,503
Brand development expenses	(317,231)	(529,404)	(283,640)
Corporate & administration expenses	(382,617)	(748,918)	(189,521)
Depreciation	(30,386)	(58,081)	(24,736)
Finance costs	(25,550)	(5,477)	(35,649)
Impairment of inventory	-	-	(178,087)
Staff costs	(360,405)	(642,533)	(315,881)
Loss before income tax	(781,209)	(1,612,046)	(954,407)
Income tax benefit / (expense)	-	-	-
Loss for the period	(781,209)	(1,612,046)	(954,407)

Source : 2008 Annual Report and reviewed half yearly financial statements as at 31 December 2008

Appendix B-3

Costarella Design Limited

Cash Flow Statements

	Audited Year Ended 30/6/2007 $	Audited Year Ended 30/6/2008 $
Cash flows from operating activities		
Receipts from customers	874,435	696,714
Payments to suppliers and employers	(1,515,222)	(2,257,914)
Interest received	31,002	24,700
Income tax refund	7,322	-
Proceeds from grants received	45,887	168,365
Other income	326	291
Security deposit made	(6,336)	-
Interest paid	(25,550)	(5,477)
Net Cash used in operating activities	(588,136)	(1,373,321)
Cash flows from investing activities		
Payment for property plant and equipment	(99,273)	(51,930)
Loans to controlled entities	-	-
Net Cash used in investing activities	(99,273)	(51,930)
Cash flows from financing activities		
Proceeds from borrowings	297,225	30,690
Proceeds from issue of shares, net of capital raising costs	1,740,575	206,365
Proceeds from issue of options, net of capital raising costs	-	309,236
Repayment of borrowings	(441,578)	(66,327)
Net Cash provided by financing activities	1,596,222	479,964
Net increase/(decrease) in cash held	908,813	(945,287)
Cash and Cash equivalents at the beginning of the year	147,290	1,056,103
Cash and Cash equivalents at end of the year	1,056,103	110,816

Source : 2008 Annual Report

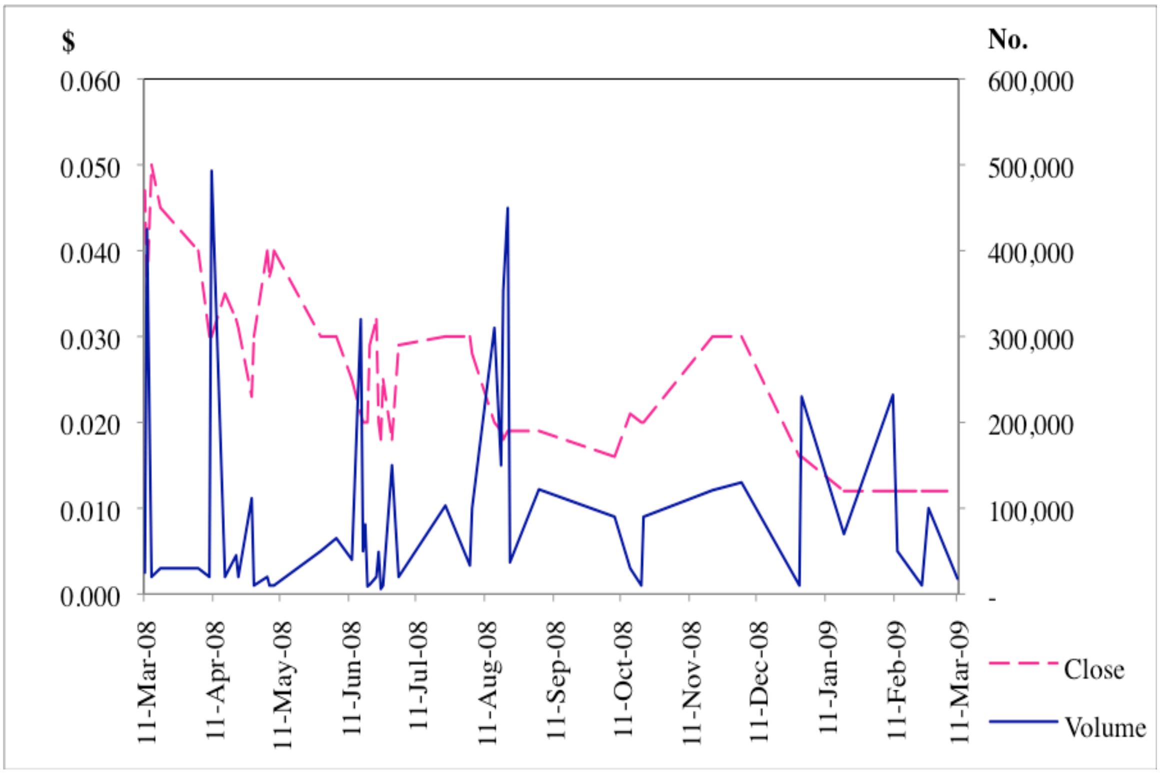
Appendix B-4

Costarella Design Limited

Share Price and Volume History

A summary of Costarella's share price and volume history from
1 March 2008 to 15 April 2009

Month	Share Price High $	Share Price Low $	Share Price Average $	Volume	Value $
2008					
March	0.050	0.022	0.037	500,000	18,400
April	0.040	0.023	0.030	749,500	22,215
May	0.040	0.030	0.035	100,000	3,450
June	0.032	0.018	0.022	811,000	17,467
July	0.030	0.029	0.030	123,000	3,670
August	0.030	0.018	0.020	1,433,833	28,466
September	0.019	0.019	0.019	121,900	2,316
October	0.021	0.016	0.019	220,000	4,070
November	0.030	0.030	0.030	120,933	3,628
December	0.030	0.016	0.021	370,000	7,740
2009					
January	0.012	0.012	0.012	70,000	840
February	0.012	0.012	0.012	392,169	4,706
March	0.012	0.012	0.012	18,000	216
April 1- 15	Nil	Nil	Nil	Nil	Nil
				5,030,335	117,183



Appendix C

Asian Centre For Liver Diseases and Transplantation Inc.

Shareholders as at 22April 2009

Name	Number of Fully Paid Ordinary Shares
Caesarian Tan Kai Chah	554,076
Pamela Anne Jenkins	115,500
Lee Kang Hoe	26,039
Ng Guan Tee	46,038
Tan Aik Hee Patrick	46,038
Tan Siew Bin Ronnie	46,038
Teh Wing Kwan	25,457
Castleridge Management Limited	140,824
	1,000,010

Source: Legal Due Diligence Report dated 22 April 2009

Asian Centre For Liver Diseases and Transplantation Inc. ("ALC Inc ") was incorporated on December 16, 2008 as an investment holding company in British Virgin Island with an issued and paid up capital of US$1,000,010 – 1,000,010 shares of US$1.00 each.

ALC Inc acquired the entire issued and paid up capital of Asian Centre For Liver Diseases & Transplantation Pte Ltd on April 14, 2009 and Asian Centre For Liver Diseases & Transplantation Pte Ltd is now a wholly-owned subsidiary of ALC Inc.

The main operations of the Group have been, and will be in the future, carried out by Asian Centre For Liver Diseases & Transplantation Pte Ltd.

Appendix D-1

Asian Centre For Liver Diseases and Transplantation Pte Ltd

Balance Sheets

	Audited 31/8/2006 S$	Audited 31/8/2007 S$	Audited 31/8/2008 S$	Management 28/2/2009 S$
CURRENT ASSETS				
Inventories at cost – Medical supplies	219,099	656,867	299,134	350,268
Trade and other receivables	1,445,879	1,407,900	1,989,467	3,302,478
Amount due from a director	1,146,682	2,184,235	3,723,363	4,126,999
Fixed deposit	35,280	35,280	35,280	36,316
Cash and bank balances	340,375	4,244	2,476,365	352,055
TOTAL CURRENT ASSETS	3,187,315	4,288,526	8,523,609	8,168,116
NON CURRENT ASSETS				
Property, plant & equipment	24,845	15,874	24,354	101,742
TOTAL NON CURRENT ASSETS	24,845	15,874	24,354	101,742
TOTAL ASSETS	3,212,160	4,304,400	8,548,143	8,269,858
CURRENT LIABILITIES				
Trade and other payables	1,711,017	3,276,308	4,991,414	3,241,667
Bank overdraft	-	281,127	-	-
Other payables and accruals	-	-	-	216,048
GST account	-	-	-	(14,725)
Tax payable	356,440	107,609	488,046	133,353
Amount due to a director	-	-	-	918,907
TOTAL CURRENT LIABILITIES	2,067,457	3,665,044	5,479,460	4,495,250
NON CURRENT LIABILITIES				
Deferred tax liabilities	4,736	2,453	3,950	3,950
TOTAL NON CURRENT LIABILITIES	4,736	2,453	3,950	3,950
TOTAL LIABILITIES	2,072,193	3,667,497	5,483,410	4,499,200
NET ASSETS	1,139,967	636,903	3,064,733	3,770,658
EQUITY				
Issued capital	2	2	10	10
Accumulated Profits	1,139,965	636,901	3,064,723	3,064,723
Profit for 1st Half	-	-	-	705,925
TOTAL EQUITY	1,139,967	636,903	3,064,733	3,770,658

Source : Annual Audited Financial Statements FY08 and FY07 and Management Accounts 28/2/09

All figures are in Singapore dollars – S$

Appendix D-2

Asian Centre For Liver Diseases and Transplantation Pte Ltd

Income Statements

	Audited Year Ended 31/8/2006 S$	Audited Year Ended 31/8/2007 S$	Audited Year Ended 31/8/2008 S$	Management Six Months Ended 28/2/2009 S$
Professional fees	11,313,193	12,487,219	21,038,380	7,539,242
Other income	3,635	2,360	51,290	6,955
Changes in inventories of medical supplies	27,899	437,768	(357,553)	50,953
Purchases of medical supplies	(1,502,403)	(2,036,457)	(1,811,117)	(697,159)
Cost of services rendered and related costs	(4,832,257)	(5,384,225)	(11,776,334)	(3,978,845)
Employee benefits expense	(2,097,662)	(3,105,291)	(3,389,812)	(1,949,231)
Depreciation	(15,915)	(12,761)	(9,119)	(12,033)
Doubtful debts – non-trade	(687,500)	(857,870)	(650,786)	-
Other expenses	(634,508)	(675,928)	(87,191)	(171,839)
Finance cost	(30)	(682)	(72)	-
Profit before income tax	1,574,452	854,133	3,007,686	788,043
Income tax benefit / (expense)	(441,594)	(357,197)	(579,864)	(82,117)
Net profit for the period	1,132,858	496,936	2,427,822,	705,926

Source : Annual Audited Financial Statements FY08 and FY07 and Management Accounts 28/2/09

All figures are in Singapore dollars – S$

Appendix E

Sources of Information

- The Notice of General Meeting and the Explanatory Memorandum which this report accompanies;
- Audited financial statements of Costarella for the financial years ended 30 June 2007 and 2008;
- Reviewed half-yearly financial statements for Costarella as at 31 December 2008;
- Listing of Costarella's top 20 shareholders and option holders as at 27 April 2009;
- Sale of Shares Deed between Costarella and Mr. A. Costarella for the sale and purchase of the entire issued capital of Aurelio Costarella Pty Ltd;
- Share Sale and Purchase Agreement dated 15 April 2009 between the ACLT shareholders and Costarella;
- Legal due diligence files in respect of Asian Centre For Liver Diseases and Transplantation Inc (a company incorporated in the British Virgin Islands) and its wholly owned subsidiary Asian Centre For Liver Diseases & Transplantation Pte. Ltd (a company incorporated in Singapore
- Audited financial statements for ACLT for the financial years ended 31 August 2006, 2007 and 2008 ;
- ACLT unaudited management accounts for the six months ended 28 February 2009;
- Share price summaries supplied by Commonwealth Securities Limited;
- Discussions with a Costarella Director.

Appendix F

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of Costarella pursuant to Section 611 of the Act to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

2. Qualifications

Mr. Derek M Ryan and Mr. Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr. Ryan has had over 35 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr. Lom is a Fellow of the Institute of Chartered Accountants in Australia and a Registered Company Auditor with more than 30 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

D M R
CORPORATE

DMR

D M R Corporate Pty Ltd A.C.N. 063 564 045
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Victoria 3000 Facsimile (03) 9629 4598
Australia Web www.dmrcorporate.com.au

17 June 2009

The Directors
Costarella Design Limited
23 View Street
North Perth
WA 6006

Dear Sirs,

INDEPENDENT EXPERT'S REPORT
SALE OF THE FASHION DESIGN SUBSIDIARIES

1. Introduction

You have requested DMR Corporate Pty Ltd ("DMR Corporate") to prepare an independent expert's report pursuant to Rule 10 of the Australian Securities Exchange ("ASX") Listing Rules ("Rule 10") and Chapter 2E of the Corporations Act 2001 (the "Act") in respect of a proposed sale of the three 100% owned subsidiary companies that are involved in the Costarella Design Limited ("Costarella" or "the Company") fashion design and distribution business, as detailed in Section 2 of this report.

Costarella was incorporated in February 2000 as a proprietary company and it changed its status to a public company in 2006. In March 2007 Costarella was listed on the ASX following a capital raising of approximately $1,895,000. The main objectives in raising new capital funds included:

- increased market penetration in the US, Europe, Asia and Australian markets;
- continuing product development;
- development of accessory and beauty lines; and
- the payment of ASX listing fees and capital raising costs.

As Costarella's wholesale fashion design and distribution businesses have incurred operating losses in excess of $2,500,000 over the last 18 months, Costarella now proposes to sell the entire issued capital of the loss making subsidiaries to Mr. Aurelio Costarella (the Managing Director of Costarella)("Mr. A. Costarella").

The proposed sale is permitted by the Act and by the ASX Listing Rules provided that prior shareholder approval is obtained.

Following the sale of these subsidiaries Costarella will then acquire all the shares in Asian Centre For Liver Diseases and Transplantation Inc and its wholly owned subsidiary Asian Centre For Liver Diseases & Transplantation Pte. Ltd. (collectively referred to as "ACLT" throughout this report) for the issue of 184,630,400 new Costarella shares following a share consolidation. The shareholders of ACLT will control over 98.9% of the enlarged capital base following the completion of the proposed transactions.

2. The Proposed Transaction

2.1 Costarella proposes to enter into the following transactions:

(a) The sale of all of the issued shares in Aurelio Costarella Pty Ltd, Su Design Pty Ltd and Costarella Design Asia Pte Ltd to Mr. A. Costarella;

(b) The selective reduction of capital – 18,000,000 shares currently held by Mr. A. Costarella;

(c) The consolidation of the Company's issued share capital on the basis of 1 new share for every 16.67 shares currently held by shareholders; and

(d) The acquisition of all of the issued shares in ACLT in consideration for the issue of 184,630,400 new shares in the Company.

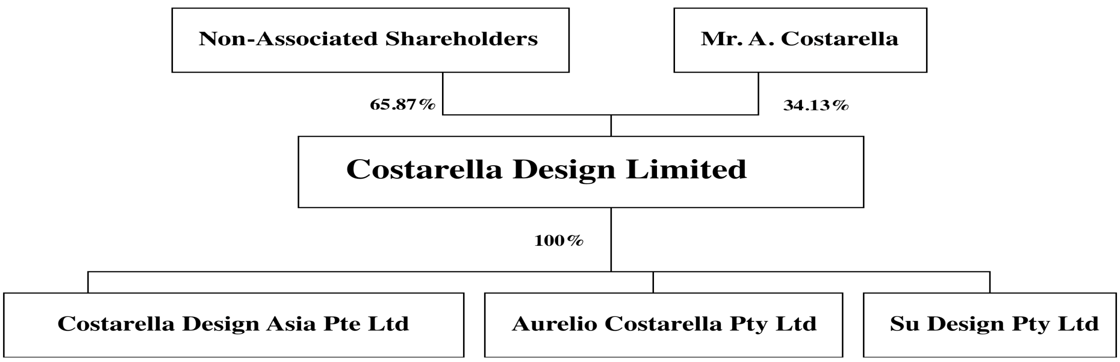
Transaction (d) is dependent on each of transactions (a) to (c) being approved together with the Company securing regulatory approvals, where applicable, from the Australian Securities and Investments Commission ("ASIC") and ASX together with the approval of shareholders.

The Costarella directors have requested DMR Corporate to independently assess whether transactions (a) and (b) above (the "Proposed Transaction") is fair and reasonable and whether any financial benefits may be given to Costarella if the Proposed Transaction proceeds.

We have also been mandated to report on transaction (d) above and our report on transaction (d) is the subject of a separate report attached to the Explanatory Statement in Section 4.2.

2.2 Effect of the Proposed Transactions on Shareholders

2.2.1 Prior to any of the transactions detailed in Sections 2.1(a) to (d) above taking place, Costarella's shareholdings and structure were as follows:



2.2.2 The Proposed Transaction is for the sale of the fashion design and distribution subsidiaries to Mr. A. Costarella in exchange for the cancellation of 18,000,000 Costarella shares (34.13% of the issued capital) currently owned by Mr. A. Costarella. As part of this sale the intercompany loans from Costarella to the three subsidiaries will be written off. Following the completion of the Proposed Transaction the Non-Associated shareholders will own 100% of Costarella, which will then have 34,739,477 shares on issue.

3. Summary Opinions

3.1 ASX Listing Rule 10

In our opinion, the Proposed Transaction set out in Section 2.1(a) and (b) above is **fair and reasonable** when considered in the context of the interests of the Non-Associated Shareholders of Costarella.

Our principal reasons for reaching the above opinion are:

In Section 7.7 we valued the three operating subsidiaries at Nil as they have an aggregate deficiency of net assets of $49,886 and they are operating unprofitably.

In Section 8 we valued the consideration being paid for the three subsidiaries operating the fashion design and distribution businesses at Nil.

As the value of the consideration is equal to the value of the three subsidiaries being sold, we have concluded that **the Proposed Transaction is fair.**

We have also reviewed the other significant factors referred to in Section 9 of the report and we consider that **the Proposed Transaction is reasonable.**

We recommend that, in the absence of a superior proposal being received, shareholders should vote in favour of the Proposed Transaction.

3.2 Corporations Act – Financial Benefits

In our opinion there are no financial benefits being given to Mr. A. Costarella (the related party) if the Proposed Transaction proceeds.

4. Structure of this Report

The remainder of this report is divided into the following sections:

5. Purpose of the Report

This report has been prepared to meet the following regulatory requirements:

- **ASX - Listing Rule 10**

Listing Rule 10 requires that a company obtain shareholder approval at a general meeting when the sale or acquisition of an asset, which has a value in excess of 5% of the shareholders funds as set out in the latest financial statements given to the ASX under the listing rules, is to be made to or from:

(i) a related party;

(ii) a subsidiary;

(iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;

(iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above;

(v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

As Mr. A. Costarella is both a director and substantial shareholder of Costarella, Listing Rule 10 will apply to the Proposed Transaction.

The notice of meeting under Listing Rule 10 must include a report on the transaction from an independent expert. The report must state whether the transaction is fair and reasonable to the holders of the entity's ordinary shares whose votes are not to be disregarded i.e. the Non-Associated shareholders.

The directors have requested DMR Corporate to independently assess whether the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders.

- **Corporations Act**

The Proposed Transaction is to be made with Mr. A. Costarella, who is a "Related Party" of Costarella for the purposes of Chapter 2E of the Act.

Pursuant to Section 228 of the Act the Proposed Transaction may be deemed to be the giving of a financial benefit to a related party by Costarella.

The Proposed Transaction is permitted by the Act, however Section 208 provides that prior shareholder approval is required before a public company can provide a financial benefit to a related party. Shareholders must be provided with all the information that is reasonably required in order for them to decide whether or not it is in the Company's interests to approve the giving of the financial benefit.

ASIC in a media release issued on 10 August 2004 has expressed the view that the financial benefit must be adequately valued. ASIC has gone on to state:

"An adequate valuation requires the basis of the valuation and the principal assumptions behind the valuation to be disclosed, and in some circumstances it may be necessary to provide a valuation by an independent expert."

- **ASIC Regulatory Guides**

  This report has been prepared in accordance with ASIC Regulatory Guide 111 – Content of Expert Reports.

General

The terms fair and reasonable are not defined in either the Listing Rules of the ASX or the Act so we have defined them for the purposes of this report as:

Fairness - the Proposed Transaction in Section 2 above is fair if the value of three companies being sold is equal to or less than the value of the consideration being received from the sale.

Reasonableness - the Proposed Transaction is "reasonable" if it is fair. It may also be "reasonable" if, despite not being fair but after considering other significant factors, shareholders should vote in favour of the Proposed Transaction in the absence of a superior proposal being received.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as:

(i) In determining whether the Proposed Transaction in Section 2 is fair, we have:

- valued the three subsidiaries being sold;
- valued the consideration being received for the sale; and
- compared the results of the two valuations.

(ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposed Transaction.

6. Costarella - Key Information

6.1 Background

Costarella conducts the business of wholesale and retail fashion design and the distribution of garments and accessories. It became a listed public company in March 2007 when it raised $1,895,000 capital with the objective of international expansion of its fashion design business and development into new product lines. To date these objectives have not been achieved and large losses have been incurred over the last 2 years.

6.2 Share Capital

As at 27 April 2009 Costarella had 52,739,477 fully paid ordinary shares on issue and the major shareholders of Costarella are presented in Appendix A. As at 27 April 2009 the top 20 shareholders held 70.8% of the issued ordinary capital of Costarella.

As at 27 April 2009 Costarella had 22,430,200 options on issue. The options have an exercise price of $0.20 each and they expire on 30 September 2010. Costarella also has 2,750,000 performance options on issue with an exercise price of $0.07 each and an expiry date of 11 June 2013.

As all of the options are well out of the money we do not consider that they will be exercised and we have not taken them into account in our calculations throughout the remainder of this report.

6.3 Balance Sheets

Costarella's consolidated Balance Sheets as at 30 June 2007, 30 June 2008 and 31 December 2008 are detailed in Appendix B-1.

6.4 Operating Performance

Costarella's consolidated Income Statements for the 2007 and 2008 financial years are detailed in Appendix B-2 and the Cash Flow Statements in Appendix B-3. Costarella's reviewed Income Statement for the six months ended 31 December 2008 is also attached in Appendix B-2.

7. Valuation of the Three Costarella Subsidiaries to be Sold

7.1 Net Assets

The Costarella consolidated audited balance sheet as at 30 June 2008 disclosed net assets of $370,251 - refer Appendix B-1.

Subsequent to the issuance of the 30 June 2008 financial statements, operating losses of $954,407 were incurred in the six months to 31 December 2008 resulting in the reviewed balance sheet as at 31 December 2008 disclosing a deficiency of net assets of $584,156 – refer Appendix B-1. On 1 January 2009 the fashion design and distribution businesses together with the business assets and liabilities were transferred from the parent company to the three subsidiaries to be sold.

The 31 March 2009 management accounts for the three Costarella subsidiaries to be sold disclose an aggregate deficiency of net assets of $387,022 – Appendix C-1.

We understand that the Costarella loans to the three subsidiaries will be written off ($337,135) and this will decrease the deficiency of net assets in the three subsidiaries to $49,886.

On the basis of net assets, the three Costarella subsidiaries being sold have a Nil value.

7.2 Orderly Realisation

The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. This method may ignore the ability of the asset base of the business to generate ongoing future earnings at a level sufficient to justify a value in excess of the value of its assets in an orderly realisation. Costs associated with the sale of the assets or business segments are deducted as part of the assessment.

The Costarella fashion design and distribution businesses are now operated through the three subsidiaries to be sold, however the businesses are dependent upon the design team headed by Mr. A. Costarella and without his services there would be no business segment to sell. Even if Mr. A. Costarella's services could be secured, we do not consider that the fashion design and distribution business could be sold as it has been incurring operating losses for the last 2 years.

Based on the 31 March 2009 management accounts the three subsidiaries being sold had an aggregate deficiency of net assets of $387,022 (or $49,886 after the intercompany loans are written write off) and on an orderly realisation basis the assets would realise less than their book values and this would increase the deficiency of assets.

Based on the orderly realisation valuation methodology, the three Costarella subsidiaries to be sold have a Nil value.

7.3 Earnings Valuation

Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax, or PE. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

As the Costarella fashion design and distribution businesses have not been trading profitably over the last 2 years, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value the three Costarella subsidiaries to be sold.

7.4 Net Present Value of Future Cash Flows

An analysis of the net present value of the projected cash flows of a business (or discounted cash flow technique) is based on the premise that the value of the business is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure, the costs of capital and assessment of the residual value of the business remaining at the end of the forecast period.

As the Costarella fashion design and distribution businesses have not been producing long-term positive cash flows, we consider that the capitalisation of future cash flows is not an appropriate methodology to use to value the three Costarella subsidiaries to be sold.

7.5 Alternate Acquirer

The value that an alternative offeror may be prepared to pay to acquire Costarella is a relevant valuation methodology to be considered.

In this instance we are not aware of any alternative offer for Costarella and we can see no reason as to why an offer would be initiated prior to the Proposed Transaction taking place.

7.6 Share Price History

As Costarella's only business activity is the fashion design and distribution business it could be assumed that the share price for the parent company reflects the markets' assessment of the value of the underlying business activities and any other assets (including the listed shell) held by the parent company.

The volume weighted average price ("VWAP") of the Costarella shares from 1 January 2009 to 15 April 2009 (the date immediately prior to the announcement that the Company had entered into a Share Sale & Purchase Agreement to acquire ACLT and a Sale Agreement for the disposal of the three subsidiaries to Mr. A. Costarella) was $0.012 based on a turnover volume of 480,169 shares with a value of $5,762.

Share Prices

The share prices have been falling steadily over the last 12 months from a high of $0.05 in April 2008 to a low of $0.012 in March 2009 on very low turnover.

Share Volumes

The table in Appendix B-4 shows that the total volume of shares traded over the last 12 months was 5,030,335 and this equates to approximately 9.5% of the shares currently on issue. This indicates that the stock is illiquid. Turnover volumes have fallen in the last 45 days with only 18,000 shares being traded.

Summary – Share Price History

Based on the above information, we have formed the opinion that the Costarella shares have a market value of $0.012 per share. This equates to a total market value of $632,874.

We consider that the above share price is excessive for a company with Costarella's trading history and negative net assets, that the share price has been determined based on the sales of minority parcels of shares and that there has been an insufficient volume of sales to establish a true market value for the shares.

Costarella is a listed entity on the ASX and generally a residual value can be ascribed to the listed shell that remains after the existing business has stopped operating. This value can only be realised via the back door listing of a new business into the existing shell. In our experience, the value ascribed to a listed shell on ASX is in a range of $350,000 to $400,000.

The share price valuation methodology valuation of $632,874 should be reduced by the value of the listed shell and this results in a valuation range of $232,874 to $282,874 for the three subsidiaries to be sold.

In our opinion these values are too high for the three subsidiaries as they have an aggregate deficiency of capital of $49,886 and they have not earned any profits over the last 2 financial years. For these reasons we consider that the share price valuation methodology cannot be applied to a valuation of the three Costarella subsidiaries to be sold.

7.7 Conclusion

A summary of the valuation methodologies that we considered applicable in valuing the three Costarella subsidiaries to be sold is as follows:

	Value Per Share	
	Low	**High**
Net Assets	Nil	Nil
Orderly Realisation	Nil	Nil

In our opinion, having regard to the results of the applicable valuation methodologies as summarised in the above table, the three Costarella subsidiaries to be sold have a Nil value.

8. Valuation of the Consideration Offered for the Three Costarella Subsidiaries

The Sale of Shares Agreement ("Sale Agreement") between Mr. A. Costarella (purchaser) and Costarella (vendor) states that the sales consideration is A$220,000. This consideration is to be satisfied by the cancellation of the 18,000,000 shares held by Mr. A. Costarella in the Company.

In Section 7.6 above we concluded that the Costarella shares had a market value of $0.012 and the Sale Agreement implies a value of $0.012222 per share (18,000,000 shares x $0.012222 = $220,000).

In our opinion the value of $0.012222 implied in the Sale Agreement represents the value at which the Costarella shares have traded since 1 January 2009 however, we also stated that we consider that "the share price value is excessive for a company with Costarella's trading history and negative net assets, that the share price has been determined based on the sales of minority parcels of shares and that there has been an insufficient volume of sales to establish a true market value for the shares."

At the present point of time the Costarella group has a deficiency of net assets of $527,889 before the disposal of the three subsidiaries.

Following the disposal of the three Costarella subsidiaries and the write off of the intercompany loans, the net deficiency of assets decreases to $447,992. As referred to in Section 7.6 above, we consider that the value of a listed shell is in a range of $350,000 to $400,000 and if these values were included in the net assets then Costarella would still have a deficiency of net assets. On this basis we have valued Costarella at Nil and its shares therefore have a Nil value.

9. Assessment as to Fairness and Other Significant Factors

9.1 Fairness

We consider that the Proposed Transaction is fair as the price being paid by Mr. A. Costarella of Nil (Section 8 above) is equal to our assessment of the value of the three Costarella subsidiaries to be sold - Nil (Section 7.7 above).

9.2 Other Significant Factors

- The disposal of the three subsidiaries to Mr. A. Costarella will consummate the sale of the loss making subsidiaries in a short time frame. The sale of the subsidiaries will also stop the trading losses.
- The cancellation of the 18,000,000 shares currently owned by Mr. A. Costarella will result in the Non-Associated shareholder interests in Costarella increasing from 65.87% to 100%.
- The Proposed Transaction, together with the other proposed transactions, will provide the Costarella shareholders with a reduced equity interest in what should be a profitable, ongoing business.
- The sale of the three subsidiaries to a related party will avoid the payment of commissions and reduce the costs payable on the disposal of the subsidiaries.
- The sale of the three subsidiaries to Mr. A. Costarella will leave the Company as a clean listed shell with virtually no assets, no liabilities and no business operations. As such it will have to find an alternative investment to back door into the listed shell if the shareholders do not approve the acquisition of ACLT. If the Company does not acquire ACLT or another business then it is likely to be delisted by the ASX within a period of six months.
- As the underlying businesses of the three subsidiaries have not been subjected to a more formal sales process to the public, shareholders may never know if the agreed sales price of $220,000 could have been greater from an outside third party.
- If the Costarella shareholders approve all of the proposed transactions summarised in Section 2.1 above and Amrita Capital Pte Ltd ("Amrita") converts in convertible note, then the Non-Associated shareholder interests will be reduced to 1.11%:

Existing Share Structure:	**Shares**	**Interest**	**New Shares (1)**	**Interest**
Non-Associated Shareholders	34,739,477	65.87%		
Mr. A. Costarella	18,000,000	34.13%		
	52,739,477			
Proposed Share Structure:				
Non-Associated Shareholders	34,739,477		2,083,950	1.11%
ACLT Shareholders				
Caesarian Tan Kai Chah			102,298,250	
Pamela Anne Jenkins			21,324,600	
			123,622,850	65.60%
Other ACLT shareholders			61,007,550	32.37%
Amrita – Convertible Note			1,739,650	0.92%
			188,454,000	100.00%

Note (1) – There will be 1 new share issued for every 16.67 shares currently on issue.

- Costarella will have approximately 60 shareholders with a marketable parcel of shares (shares with a total value of $2,000). The ASX listing rules state that a listed company must have at least 500 shareholders with a marketable parcel to remain as a listed company on the ASX. Costarella will need to raise additional capital or existing shareholders will need to sell down their shareholdings to increase the number of shareholders on the register.

9.3 Overall Conclusion

After considering all of the information available to us in respect of the Proposed Transaction, we consider that the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders.

10. Assessment of Financial Benefits – Related Parties

In Section 9.1 above we concluded that the Proposed Transaction was fair as the price being paid by Mr. A. Costarella of Nil (Section 8 above) is equal to our assessment of the value of the three Costarella subsidiaries to be sold - Nil (Section 7.7 above).

In our opinion we consider that there are no financial benefits being given to Mr. A. Costarella if the Proposed Transaction proceeds.

11. Financial Services Guide

11.1 Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

11.2 DMR Corporate

DMR Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide reports for the purposes of acting for and on behalf of investors in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues and to carry on a financial services business to provide general financial product advice for securities to retail and wholesale investors.

11.3 Financial Services Offered by DMR Corporate

DMR Corporate prepares reports commissioned by a company or other entity (“Entity”). The reports prepared by DMR Corporate are provided by the Entity to its members.

All reports prepared by DMR Corporate include a description of the circumstances of the engagement and of DMR Corporate’s independence of the Entity commissioning the report and other parties to the transactions.

DMR Corporate does not accept instructions from retail investors. DMR Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. DMR Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

11.4 General Financial Product Advice

In the reports, DMR Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

11.5 Independence

At the date of this report, none of DMR Corporate, Mr. Derek M Ryan nor Paul Lom has any interest in the outcome of the proposed transactions, nor any relationship with Costarella, Mr. A. Costarella or ACLT.

11.6 Remuneration

DMR Corporate is entitled to receive a fee of $17,500 for the preparation of this report and a fee of $17,500 for the preparation of our other report issued pursuant to Section 611 of the Act. With the exception of the above, DMR Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

Except for the fees referred to above, neither DMR Corporate, nor any of its directors, employees or associated entities receive any fees or other benefits, directly or indirectly, for or in connection with the provision of any report.

11.7 Complaints Process

As the holder of an Australian Financial Services Licence, DMR Corporate is required to have a system for handling complaints from persons to whom DMR Corporate provide financial services. All complaints must be in writing and sent to DMR Corporate at the above address.

DMR Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

DMR Corporate Pty Ltd

D. M Ryan

Derek Ryan
Director

Paul Lom

Paul Lom
Director

Appendix A-1

Costarella Design Limited

20 Largest Shareholders as at 27 April 2009

Name	Number of Fully Paid Ordinary Shares
Aurelio Costarella <Costarella Investments A/C>	18,000,000
Powerwide Pty Ltd	2,000,000
Amrita Capital Pty Ltd	1,666,667
Ong Kok Wah	1,666,667
Lim Ho Kee	1,666,661
Peter Francis Caughey <Mercury Business Services A/C>	1,566,666
Eladin Pty Ltd <GTG Superannuation A/C>	1,233,334
Rimoh Pty Ltd <Corsaire A/C>	1,083,033
Santino Di-Giacomo	1,073,500
DBS Vickers Securities (Singapore) Pte Ltd	910,169
Versailles Holdings Pty Ltd <The Almonte Family A/C>	800,000
Ravindan Govindan	750,000
Blair Edward Sergeant & Bronwyn Gaye Lukic <Rio Grand Do Norte A/C>	697,500
Rimoh Pty Ltd <Surcouf Super Fund A/C>	693,334
Eladin Pty Ltd <Eladin Family A/C>	693,333
Brian Lee and Audrey Lee	625,000
Primebase Nominees Pty Ltd	600,000
Clevedon Nominees Pty Ltd <Mack Property Fund A/C>	563,500
Karen Julie Beazley <The Karen Beazley Family A/C>	550,000
Sonia Alma Audino	500,000
Total number of shares held by the twenty largest holders	37,339,664

Total shares on issue – 52,739,477

The percentage of the total holding of the twenty largest holders of ordinary shares was 70.80%

Source: Costarella Share Register 27 April 2009

Appendix A-2

Costarella Design Limited

20 Largest Option Holders as at 27 April 2009

Name	Number of Listed Options Expiring 30/09/10 @ 20c
Merrill Lynch (Australia) Nominees Pty Ltd	6,040,000
Aurelio Costarella	2,000,000
Rimoh Pty Ltd	1,231,370
Jennifer Jill Fogarty	1,000,000
Celtic Capital Pty Ltd <The Celtic Capital A/C>	937,500
Foundation Superannuation Fund Pty Ltd <Foundation Super Fund A/C>	850,000
Platinum United Securities Pty Ltd	750,000
James Anthony Ellis	749,833
Ian Ralph Lonnie & Margaret Rose Lonnie <M I Superannuation Fund A/C>	739,250
Planmoor Investments Pty Ltd	652,500
Simon Lee Robertson & Myfanwy Lynette Edwards <Robward Investment A/C>	643,750
Eladin Pty Ltd <Eladin Family A/C>	541,667
Enzo Almonte <The Almonte Superannuation Fund A/C>	500,000
Paul Gregory Brown & Jessica Oriwia Brown <Brown Super Fund A/C>	500,000
Eladin Pty Ltd < GTG Superannuation A/C>	471,667
Equitas Nominees Pty Ltd < Group A A/C>	406,250
Brian Lee & Audrey Lee	362,500
Sky Rocket Investments Pty Ltd < Sky Rocket Investments A/C>	300,000
John Richard Snell	300,000
Blair Edward Sergeant & Bronwyn Gaye Lukic <Rio Grand Do Norte S/F A/C>	273,750
Total number of options held by the twenty largest holders	19,250,037

Total options on issue – 22,430,200

The percentage of the total holding of the twenty largest holders of options was 85.82%

Source: Costarella Options Register 27 April 2009

Appendix B-1

Costarella Design Limited

Balance Sheets

	Audited 30/6/2007 $	Audited 30/6/2008 $	Reviewed 31/12/2008 $
CURRENT ASSETS			
Cash and cash equivalents	1,056,103	110,816	59,224
Trade and other receivables	45,307	87,904	80,157
Inventories	293,662	346,176	188,152
Prepayments	17,511	22,447	14,069
TOTAL CURRENT ASSETS	1,412,583	567,343	341,602
NON CURRENT ASSETS			
Property, plant & equipment	164,719	138,568	117,403
Inventories	173,933	128,329	-
TOTAL NON CURRENT ASSETS	338,652	266,897	117,403
TOTAL ASSETS	1,751,235	834,240	459,005
CURRENT LIABILITIES			
Trade and other payables	282,061	352,044	519,101
Borrowings	20,800	42,588	437,783
Provisions	48,382	51,611	52,386
TOTAL CURRENT LIABILITIES	351,243	446,243	1,009,270
NON CURRENT LIABILITIES			
Borrowings	27,913	-	15,090
Provisions	15,702	17,746	18,801
TOTAL NON CURRENT LIABILITIES	43,615	17,746	33,891
TOTAL LIABILITIES	394,858	463,989	1,043,161
NET ASSETS	1,356,377	370,251	(584,156)
EQUITY			
Issued capital	2,179,887	2,480,252	2,480,252
Reserves	-	325,555	325,555
Accumulated losses	(823,510)	(2,435,556)	(3,389,963)
TOTAL EQUITY	1,356,377	370,251	(584,156)

Source : 2008 Annual Report and reviewed half yearly financial statements as at 31 December 2008

Appendix B-2

Costarella Design Limited

Income Statements

	Audited Year Ended 30/6/2007 $	Audited Year Ended 30/6/2008 $	Reviewed Six Months Ended 31/12/2008 $
Revenue from Continuing Operations	619,778	745,891	521,001
Cost of sales	(362,187)	(528,653)	(493,297)
Gross profit	257,591	217,238	27,704
Other income	77,389	155,129	45,503
Brand development expenses	(317,231)	(529,404)	(283,640)
Corporate & administration expenses	(382,617)	(748,918)	(189,521)
Depreciation	(30,386)	(58,081)	(24,736)
Finance costs	(25,550)	(5,477)	(35,649)
Impairment of inventory	-	-	(178,087)
Staff costs	(360,405)	(642,533)	(315,881)
Loss before income tax	(781,209)	(1,612,046)	(954,407)
Income tax benefit / (expense)	-	-	-
Loss for the period	(781,209)	(1,612,046)	(954,407)

Source: 2008 Annual Report and reviewed half yearly financial statements as at 31 December 2008

Appendix B-3

Costarella Design Limited

Cash Flow Statements

	Audited Year Ended 30/6/2007 $	Audited Year Ended 30/6/2008 $
Cash flows from operating activities		
Receipts from customers	874,435	696,714
Payments to suppliers and employees	(1,515,222)	(2,257,914)
Interest received	31,002	24,700
Income tax refund	7,322	-
Proceeds from grants received	45,887	168,365
Other income	326	291
Security deposit made	(6,336)	-
Interest paid	(25,550)	(5,477)
Net Cash used in operating activities	(588,136)	(1,373,321)
Cash flows from investing activities		
Payment for property plant and equipment	(99,273)	(51,930)
Loans to controlled entities	-	-
Net Cash used in investing activities	(99,273)	(51,930)
Cash flows from financing activities		
Proceeds from borrowings	297,225	30,690
Proceeds from issue of shares, net of capital raising costs	1,740,575	206,365
Proceeds from issue of options, net of capital raising costs	-	309,236
Repayment of borrowings	(441,578)	(66,327)
Net Cash provided by financing activities	1,596,222	479,964
Net increase/(decrease) in cash held	908,813	(945,287)
Cash and Cash equivalents at the beginning of the year	147,290	1,056,103
Cash and Cash equivalents at end of the year	1,056,103	110,816

Source: 2008 Annual Report

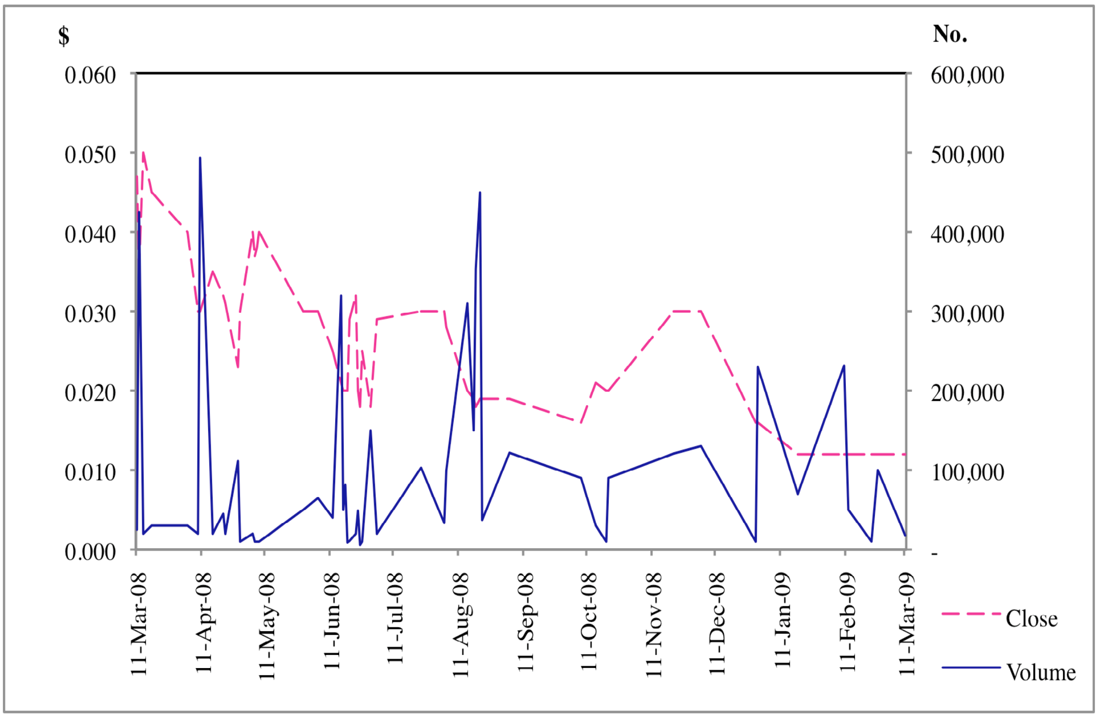
Appendix B-4

Costarella Design Limited

Share Price and Volume History

A summary of Costarella's share price and volume history from
1 March 2008 to 15 April 2009

Month	Share Price High $	Share Price Low $	Share Price Average $	Volume	Value $
2008					
March	0.050	0.022	0.037	500,000	18,400
April	0.040	0.023	0.030	749,500	22,215
May	0.040	0.030	0.035	100,000	3,450
June	0.032	0.018	0.022	811,000	17,467
July	0.030	0.029	0.030	123,000	3,670
August	0.030	0.018	0.020	1,433,833	28,466
September	0.019	0.019	0.019	121,900	2,316
October	0.021	0.016	0.019	220,000	4,070
November	0.030	0.030	0.030	120,933	3,628
December	0.030	0.016	0.021	370,000	7,740
2009					
January	0.012	0.012	0.012	70,000	840
February	0.012	0.012	0.012	392,169	4,706
March	0.012	0.012	0.012	18,000	216
April 1- 15	Nil	Nil	Nil	Nil	Nil
				5,030,335	117,183



Appendix C-1

Balance Sheets of Costarella and its Subsidiaries as at 31 March 2009

Balance Sheets as at 31 March 2009	Aurelio Costarella Pty Ltd 31/03/09 $	Su Design Pty Ltd 31/03/09 $	Costarella Design Asia Pte Ltd 31/03/09 $	Costarella Design Limited 31/03/09 $
Current Assets				
Cash and cash equivalents	95,239	4,308	1	14,353
Trade and other receivables	289,175	18,706	-	4,516
Loans to subsidiaries	-	-	-	337,125
Inventories	191,546	15,700	-	-
Prepayments	3,498	-	-	-
Total Current Assets	579,458	38,714	1	355,994
Non-Current Assets				
Intangibles	1,615	-	-	-
Property, plany and equipment	101,165	4,873	-	-
Investments	-	-	-	3
Total Non-Current Assets	102,780	4,873	-	3
Total Assets	682,238	43,587	1	355,997
Current Liabilities				
Trade and other payables	382,188	58,687	-	12,857
Borrowings	235,431	14,651	-	484,007
Loan - Costarella Design Ltd	102,362	229,456	5,318	-
Provisions	46,700	5,034	-	-
Total Current Liabilities	766,681	307,828	5,318	496,864
Non-Current Liabilities				
Borrowings	13,693	-	-	-
Provisions	19,328	-	-	-
Total Non-Current Liabilities	33,021	-	-	-
Total Liabilities	799,702	307,828	5,318	496,864
Net Assets	(117,464)	(264,241)	(5,317)	(140,867)
Equity				
Issued capital	1	1	1	2,480,252
Reserves	-	-	-	325,555
Accumulated losses	(117,465)	(264,242)	(5,318)	(2,946,674)
Total Equity	(117,464)	(264,241)	(5,317)	(140,867)

Note 1 – The aggregate deficiency of net assets of the three Costarella subsidiaries to be sold totals $387,022 – i.e. ($117,464), ($264,241) and ($5,317).

Appendix C-2

Net Asset Summary After the Write Off of Intercompany Debts

Balance sheet after: Write off of inter company debts	**Aurelio Costarella Pty Ltd 31/03/09 $**	**Su Design Pty Ltd 31/03/09 $**	**Costarella Design Asia Pte Ltd 31/03/09 $**	**Costarella Design Limited 31/03/09 $**
Current Assets				
Cash and cash equivalents	95,239	4,308	1	14,353
Trade and other receivables	289,175	18,706	-	4,516
Loans to subsidiaries	-	-	-	-
Inventories	191,546	15,700	-	-
Prepayments	3,498	-	-	-
Total Current Assets	579,458	38,714	1	18,869
Non-Current Assets				
Intangibles	1,615	-	-	-
Property, plany and equipment	101,165	4,873	-	-
Investments	-	-	-	3
Total Non-Current Assets	102,780	4,873	-	3
Total Assets	682,238	43,587	1	18,872
Current Liabilities				
Trade and other payables	382,188	58,687	-	12,857
Borrowings	235,431	14,651	-	484,007
Loan - Costarella Design Ltd	-	-	-	-
Provisions	46,700	5,034	-	-
Total Current Liabilities	664,319	78,372	0	496,864
Non-Current Liabilities				
Borrowings	13,693	-	-	-
Provisions	19,328	-	-	-
Total Non-Current Liabilities	33,021	-	-	-
Total Liabilities	697,340	78,372	0	496,864
Net Assets	(15,102)	(34,785)	1	(477,992)

Appendix D

Costarella Design Limited

Sources of Information

- The Notice of General Meeting and the Explanatory Memorandum which this report accompanies;
- Audited financial statements of Costarella for the financial years ended 30 June 2007 and 2008;
- Reviewed half-yearly financial statements as at 31 December 2008;
- Listing of Costarella's top 20 shareholders and option holders as at 27 April 2009;
- Sale of Shares Deed between Costarella and Mr. A. Costarella for the sale and purchase of the entire issued capital of Aurelio Costarella Pty Ltd;
- Share Sale and Purchase Agreement dated 15 April 2009 between the ACLT shareholders and Costarella;
- Legal due diligence files in respect of Asian Centre For Liver Diseases and Transplantation Inc (a company incorporated in the British Virgin Islands) and its wholly owned subsidiary Asian Centre For Liver Diseases & Transplantation Pte. Ltd (a company incorporated in Singapore);
- Audited financial statements for ACLT for the financial year ended 31 August 2006, 2007 and 2008;
- Unaudited management accounts for the six months ended 28 February 2009;
- Share price summaries supplied by Commonwealth Securities Limited;
- Discussions with a Costarella Director.

Appendix E

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of Costarella pursuant to Section 208 of the Act and ASX Listing Rule 10.10, to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

2. Qualifications

Mr. Derek M Ryan and Mr. Paul Lom, directors of DMR Corporate prepared this report. They have been responsible for the preparation of many expert reports and are involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr. Ryan has had over 35 years experience in the accounting profession and he is a Fellow of the Institute of Chartered Accountants in Australia. He has been responsible for the preparation of many expert reports and is involved in the provision of advice in respect of valuations, takeovers and capital reconstructions and reporting on all aspects thereof.

Mr. Lom is a Fellow of the Institute of Chartered Accountants in Australia and a Registered Company Auditor with more than 30 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

3. Consent

DMR Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.