Kingsmen Creatives
Annual Report 2005

Creative Growth

Innovative   Service   Commitment   Creative

Creative Growth

Kingsmen is a leading communications design and production group in the Asia Pacific.
As a one-stop design, production and logistics centre, we support a comprehensive range of services, namely, Exhibitions & Museums, Retail & Office Interiors, Research & Design and Integrated Marketing Communications,
to deliver total solutions to our clients.

Working upon our core beliefs of innovation, service, commitment and creativity, we aspire to produce outstanding works that will result in profits for our clients. With this, we reaffirm our belief that our clients' success is our success.

Financial Highlights

	FY2005	FY2004 (As restated)	Increase
	S$'000	S$'000	%
Results For the Year			
Turnover	76,742	63,261	21.3
Gross profit	20,541	16,467	24.7
Gross profit margin (%)	26.8%	26.0%	3.1
Net profit before taxation	2,883	1,795	60.6
Net profit for the year attributable to equity holders of the parent	2,192	1,261	73.8
At Year-End			
Share capital	7,582	7,582	-
Shareholders' funds	14,708	13,108	12.2
Minority interests	830	685	21.2
Short and long-term borrowings	944	453	108.4
Total funds invested	16,482	14,246	15.7
Debt-equity ratio (%)			
Excluding minority interests	6.4%	3.5%	82.9
Including minority interests	6.1%	3.3%	84.8
Per Share (cents)			
Earnings - basic	2.17	1.26	72.2
Earnings - diluted	2.17	1.26	72.2
Dividends	1.00	0.70	42.9
Net assets	14.55	12.97	12.2
Return on shareholders' equity (%)			
After taxation	14.9%	9.6%	55.2

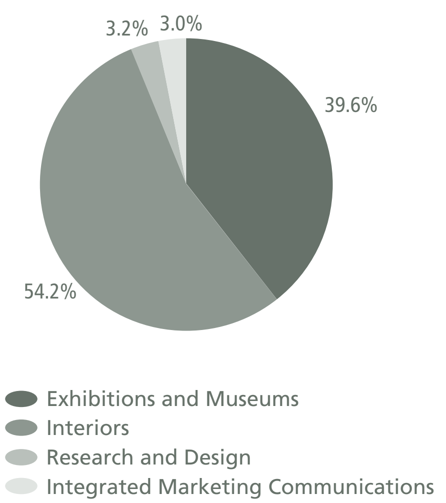
Turnover by Activities

	FY2005 S$'000		FY2004 S$'000	
Exhibitions and museums	30,362	39.6%	30,328	47.9%
Interiors	41,603	54.2%	28,687	45.3%
Research and design	2,467	3.2%	1,988	3.2%
Integrated marketing communications	2,310	3.0%	2,258	3.6%
Total turnover	**76,742**	**100.0%**	**63,261**	**100.0%**

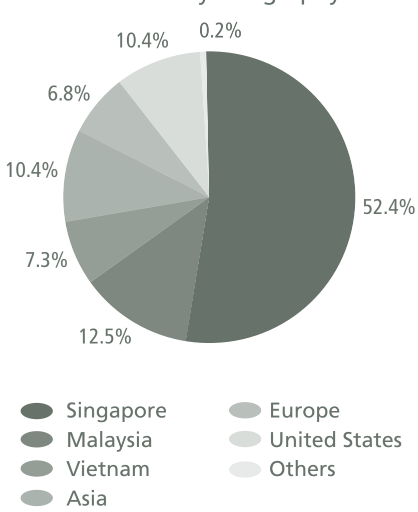
Turnover by Geography

	FY2005 S$'000		FY2004 S$'000	
Singapore	40,198	52.4%	40,143	63.5%
Malaysia	9,582	12.5%	5,188	8.2%
Vietnam	5,636	7.3%	5,410	8.5%
Asia	7,997	10.4%	4,731	7.5%
Europe	5,211	6.8%	3,717	5.9%
United States	7,990	10.4%	4,000	6.3%
Others	128	0.2%	72	0.1%
Total turnover	**76,742**	**100.0%**	**63,261**	**100.0%**

Turnover by Activities



Turnover by Geography



Financial Performance

Group	FY2005 S$'000	FY2004 S$'000 (As restated)	Change %
Turnover			
Exhibitions and museums	30,362	30,328	0.1%
Interiors	41,603	28,687	45.0%
Research and design	2,467	1,988	24.1%
Integrated marketing communications	2,310	2,258	2.3%
Total turnover	**76,742**	**63,261**	**21.3%**
Cost of Sales	(56,201)	(46,794)	20.1%
Gross profit	**20,541**	**16,467**	24.7%
Other income	890	816	9.1%
Operating expenses	(18,679)	(15,651)	19.3%
Profit before share of results of associates	**2,752**	**1,632**	68.6%
Share of results of associates	184	211	(12.8%)
Financial expenses	(65)	(82)	(20.7%)
Financial income	12	34	(64.7%)
Profit before taxation	**2,883**	**1,795**	60.6%
Taxation	(519)	(368)	41.0%
Profit for the financial year	**2,364**	**1,427**	65.7%
Attributable to:			
Equity holders of the parents	2,192	1,261	73.8%
Minority interests	172	166	3.6%
	2,364	**1,427**	**65.7%**

Revenue

Revenue for FY2005 increased by S$13.4 million to S$76.7 million as compared to S$63.3 million for FY2004. The increase in revenue was mainly contributed by the Group's Interiors division. Revenue from the Research and Design division has also improved, while revenue from Exhibittvions and Museums division and Integrated Marketing Communications division has improved marginally.

The Interiors division achieved a significant increase in revenue of S$12.9 million from S$28.7 million in FY2004 to S$41.6 million in FY2005. The market sentiments for the retail and office fit-out industry have improved in FY2005. We have focused on key accounts management with an overall macro view on the needs of our customers and to offer "roll-out programmes" to cater to their regional needs. We have also allocated our resources to produce cost-competitive, high quality fixtures for retail interiors for regional export.

Our efforts have shown considerable results and in FY2005, approximately S$33.0 million of our revenue from the Interiors division was derived from our key accounts, which includes Baccarat, Burberry, DFS, Dickson Group, Esprit, FJ Benjamin, Nokia, Nuance-Watsons, Osim, P&G, Pertama, POSBank, Wing Tai, and approximately S$3.3 million of our revenue from our key accounts was from the export of fixtures. We have also completed a few motor showrooms in Singapore for Regent Motors and Performance Motors and numerous motor showrooms and shops in Vietnam for Suzuki Motors.

The Exhibitions and Museums division achieved revenue of S$30.4 million for FY2005 (FY2004: S$30.3 million). Despite the absence of a major exhibition event, Asian Aerospace, which only takes place in even years, we have managed to achieve the same level of revenue for FY2005 as for FY2004.

The main contributors to the division's revenue for FY2005 includes major exhibition events such as LIMA, ITMA, TFAP, Label Expo, Korea Airshow and SIBOS, and event launches for BMW in Singapore and Yamaha Motors in Vietnam, as well as the completion of a museum, retail and F&B project in Sentosa, an exhibition gallery in Singapore Science Centre and the museum in Changi Chapel.

The Research and Design division achieved revenue of S$2.5 million for FY2005 as compared to S$2.0 million in FY2004. The increase is due to more design jobs undertaken in FY2005. Revenue from the Integrated Marketing Communications division increased marginally from S$2.26 million to S$2.31 million.

Other Income

Other income, which comprises mainly rental income, corporate fees and miscellaneous income, increased from S$816,000 in FY2004 to S$890,000 in FY2005 due to:-

a) higher rental income from S$306,000 in FY2004 to S$351,000 in FY2005; and
b) higher miscellaneous income from S$22,000 in FY2004 to S$54,000 in FY2005.

Operating Expenses

Group	FY2005 S$'000	FY2004 S$'000 (As restated)	Change %
Staff salaries and related expenses			
Directors' remuneration and fees	3,346	2,725	22.8%
Staff costs	9,122	7,763	17.5%
Premises and equipment			
Rental of premises	1,466	1,260	16.3%
Depreciation of property, plant and equipment	795	544	46.1%
Rental of equipment and vehicles	44	234	(81.2%)
Property, plant and equipment written off	8	24	(66.7%)
(Gain)/loss on disposal of property, plant and equipment	(55)	2	n/m
Selling and marketing expenses	268	239	12.1%
Bad and doubtful debts expenses	433	161	168.9%
Net foreign exchange (gain)/loss	(34)	130	n/m
Other operating expenses	3,286	2,569	27.9%
Total operating expenses	**18,679**	**15,651**	**19.3%**

The higher operating expenses were mainly due to:-

a) Expenses due to the operations of the newly set-up subsidiary in Indonesia, PT Kingsmen Indonesia, amounting to S$617,000 comprising mainly:-
   i) directors' remuneration and staff costs amounting to S$97,000;
   ii) depreciation expenses of S$42,000; and
   iii) other general and administrative expenses of S$478,000.

b) Expenses due to the operations of the newly set-up subsidiary in Singapore, Kingsmen Ooh-media Pte Ltd, amounting to S$111,000 comprising mainly:-
   i) directors' remuneration and staff costs amounting to S$59,000; and
   ii) other general and administrative expenses of S$52,000.

c) Increase in operating expenses of the Group's other existing Singapore, Vietnam and Malaysia subsidiaries of S$2.30 million (FY2005: S$18.00 million; FY2004: S$15.70 million) comprising:-
   i) increase in staff costs from S$7.77 million to S$9.07 million;
   ii) increase in directors' remuneration from S$2.72 million to S$3.24 million ;
   iii) increase in bad and doubtful debts expenses from S$161,000 to S$433,000;
   iv) increase in depreciation expenses from S$544,000 to S$748,000; and
   v) increase in premises rental expenses from S$1.26 million to S$1.45 million.
   This was partially offset by:-
   vi) a foreign exchange gain of S$34,000 for FY2005 as compared to a foreign exchange loss of S$130,000 for FY2004; and
   vii) decrease in other rental expenses from S$234,000 to S$44,000.

In 2005, we also witnessed improved sales from our European and American clients. They accounted for 6.8% and 10.4% of our total sales. There was also a significant jump in sales revenue of our operations in Malaysia from 8.2% in the previous year to 12.5%.

Dear Shareholders,

I am pleased to present you the Annual Report for the financial year ended 31 December 2005.

2005 marks our second complete year as a listed company. Over this period, through my meetings with investors and shareholders, I have come to realize that many of you may still be unaware of the key pillars that drive the company. I have therefore included them in my message this year.

Our history dates back to 1976, when Simon Ong, our Group Executive Director and I, founded Kingsmen Designers & Producers. The cornerstone of our business is a strong belief in Quality and exceeding the expectations of our customers. Therefore 30 years on, our customers today comprise many regular and loyal customers who have been with us through the years. Consistently, over 50% of our business is derived from repeat customers. Today, the foundation of our business is in design consultancy and production solutions primarily in retail interiors, exhibitions & museums, supported by our marketing promotions capabilities. We are well-positioned to service our clients around the world along with Kingsmen Affiliates; in 16 cities – 15 in Asia and 1 in the Middle East.

FINANCIAL PERFORMANCE AND DIVIDEND

The improved business environment in 2005 over the previous two years enabled us to increase both sales and profits. Sales increased 21% from S$63.3 million in FY2004 to S$76.7 million in FY2005. Profits for the Group increased by 66% from S$1.4 to S$2.4million.

Significantly, all four key business segments contributed to the improved results, with the main contribution coming from our Interiors Division, which grew 45% in sales from S$28.7 million to S$41.6 million in FY2005.

To reward our loyal shareholders, the Board of Directors is pleased to propose a final dividend of 1 cent per ordinary share.

OUR ACHIEVEMENTS

In 2005, we set up a new entity specializing in out-of-home media services – Kingsmen Ooh-media Pte Ltd, a joint venture between Kingsmen Creatives Ltd. (which owns 70%) and two individuals, Mr. Danny Lim and Mr. David Tay (who own the balance 30%). Out-of-home or outdoor media will be another specialized offering by our Group, enhancing our capability as a one-stop provider of face-to-face marketing communication services. Research has shown that the market for out-of-home media has grown tremendously in recent years and our investment in this area should contribute towards our revenue growth.

A new subsidiary, PT Kingsmen Indonesia, was also set up in Indonesia, where there is a large market in high-end retail. PT Kingsmen Indonesia will provide full services, from design to production and installation, and we expect this new subsidiary to contribute positively this year.

Our success in the Interiors Division was partly due to our 'roll-out' project management capabilities. Many regular and some new clients have come to rely on us to find solutions that will meet their objective of having similar multiple concept stores – where these stores maintain the same quality and image, thus enhancing their branding and product offerings.

Some of the more prominent names that employed our services include POSB, BMW, Nokia, F.J. Benjamin, Burberry, Dickson Group, Wing Tai, Nuance Watsons, Robinsons, Marks & Spencer, DFS, Osim, Harvey Norman, Sentosa, Singapore Science Centre, Reed Exhibitions, Urban Redevelopment Authority and Yamaha.

In 2005, we also witnessed improved sales from our European and American clients. They accounted for 6.8% and 10.4%, of our total sales. There was also a significant jump in sales revenue of our operations in Malaysia from 8.2% in the previous year to 12.5%. Our Vietnam office also continued to contribute positively to the Group.

COMMITMENT TO CREATING VALUE

Our ability to maintain our loyal base of blue chip clients representing famous brands is largely due to the design consultancy services that we provide. As we work closely and in partnership with our clients, we become intimately knowledgeable of their brands' specific persona and unique qualities. This enables us to provide the best solutions and ensure continuous success. We are constantly improving our project management capabilities to be cost-effective and therefore provide 'win-win' solutions for both clients and ourselves.

As we seek to do more business with international buyers, in particular from Europe and USA, 2005 also saw us participating and sponsoring some local and international events. Our drive to expand our presence in the international market has seen us increasing our exports of shop-fixtures to many Asian countries outside our Group, including places such as Guam, Saipan, Hawaii and Fiji.

GROWTH STRATEGIES & BUSINESS OUTLOOK

Going forward, we see good growth potential in the retail sector, especially in the higher-end markets in Asia and in particular, India and China. We are therefore optimistic that we can further improve our export sales of shop-fittings to Asia, Europe and USA.

The second area of growth is in key accounts for tradeshows and events, where we provide services to clients who participate in regional and international events. With the improving economies of many Asian countries, numerous specialty museum and visitor centre projects are in the pipeline. We are confident that we will be able to participate in some of these large contracts, including the upcoming National Museum of Singapore.

In order to lower our production costs, we are setting up new production facilities in Malaysia, which will be ready by the first half of 2006. This will enable us to be more competitive in the international marketplace.

In this IT age, the dynamic communication design and production business will continue to evolve even faster. Our Management has therefore implemented a system of continuous learning for our staff and we strive to maintain a group of trained professionals who can meet our clients' needs and ensure the continuing success of our Group.

ACKNOWLEDGEMENTS

In conclusion and on behalf of the Board of Directors, I would like to thank all our clients who have supported us all these years and we look forward to your continued support. At Kingsmen we will endeavor to continue improving in order to serve you better .

My sincere thanks also go out to all my colleagues and directors for their efforts and invaluable contribution to our Group.

Last but not least, I would like to thank all shareholders for believing in us. We pledge to continue to bring you even better value in the future. I am confident that with the dedication and commitment of our directors and staff, we can take the company to greater heights.

BENEDICT SOH
Group Managing Director

17 March 2006

BENEDICT SOH
Group Managing Director

Benedict Soh is our Group Managing Director. He is responsible for the strategic planning and business development of our Group and oversees day-to-day management as well. Mr Soh has more than 30 years of experience in the design and production of interiors and exhibits. He is one of our founders and has contributed significantly to the growth of our Group. Mr Soh serves as the Chairman of the Exhibition Management Services Standards Working Committee of Spring Singapore. He is the chairman of the Research Committee of the Singapore Association of Convention & Exhibition Organisers & Suppliers and the president-elect of Rotary Club of Pandan Valley. Mr Soh was awarded a Master in Business Administration from the University of Hull in the United Kingdom.

SIMON ONG
Group Executive Director

Simon Ong is our Group Executive Director. He is responsible for the strategic planning of our Group and the development of our Group's image as well as creative standard. Mr Ong is one of the founders of our Group and has contributed significantly to the growth of our Group for the past 29 years. Mr Ong was the President of the Interior Designers Association, Singapore (1995-1997) and Vice-Chairman of the Potong Pasir Community Club Management Committee (1998-2003). He is currently a member of the Advisory Committee of Temasek Polytechnic (School of Design), an IDP member of the Singapore Design Council and Chairman of the Design Development Committee of the Singapore Furniture Industrial Council. He was awarded a Master of Business Administration from the University of South Australia and a Master of Design from the University of New South Wales.

LEE HOCK LYE
Independent Director

Lee Hock Lye was appointed as an Independent Director of our Group since August 2003. He is currently Managing Director of HSBC Private Bank (Suisse) SA and has been with the HSBC group in Singapore for over 30 years. He is an Associate of the Chartered Institute of Bankers, UK. Mr Lee graduated with a Bachelor of Social Sciences (Honours) degree in Economics from the University of Singapore.

ANTHONY CHONG
Executive Director
(Exhibitions & Museums)

Anthony Chong is our Executive Director. He is responsible for the sales and day-to-day operations and management of the Exhibitions and Museums division. Employed by our Group since 1981, he has had experience in project management of different disciplines of exhibitions, retail interiors and museums. From mid-1989, he was appointed Project Director to oversee the operations of our Exhibitions and Museums division. He then rose to his present position of Executive Director in 1999. Mr Chong is a committee member (training) of the Singapore Association for Convention and Exhibition Organizers and Suppliers. Mr Chong was awarded a Master of Business Administration from the Victoria University of Technology in Australia.

PRABHAKARAN N. NAIR
Independent Director

Prabhakaran Nayaranan Nair was appointed as an Independent Director of our Group since August 2003. He is an Advocate and Solicitor of Singapore and is currently a partner of a law firm, Messrs Ong Tan & Nair. He has been practising law in this law firm since 1986. Mr Nair is the Honorary Legal Advisor of the Singapore Judo Federation, Jurong Football Club and Mar Thoma Syrian Church. He obtained his law degree from the University of Singapore.

KHOO HO TONG
Non-Executive Director

Khoo Ho Tong is our non-executive Director. He is currently a partner of Messrs H.T. Khoo & Company, a public accounting firm, and has been a practising public accountant for over 20 years. Mr Khoo is also involved in a number of professional associations. He is a council member and member of various sub-committees of the Institute of Certified Public Accountants, Singapore and the treasurer of the Asean Federation of Accountants. He is also an Independent Director and non-executive director of various listed companies. Mr Khoo is a Fellow Certified Public Accountant in Singapore.

Senior Management

MICHAEL NG HUNG CHIAO is a Director of Kingsmen Exhibits Pte Ltd. He is responsible for the day-to-day operations and leading and motivating the sales and operations team. He is also involved in expanding the clientele base and maintaining key accounts of both local and international clients. From 1975 to 1978, he was an Assistant Technician (Construction) with Jurong Town Corporation. From 1978 to 1980, he was a Marketing Executive with United Public M&E Pte Ltd. Thereafter he joined Item Pte Ltd as a Marketing Executive from 1981 to 1983. Michael Ng joined Kingsmen Exhibitions Builders Pte Ltd in 1984 as a Sales and Marketing Manager and was made the Director of Kingsmen Exhibits Pte Ltd in 1991. He received a Master in Business Administration (Marketing) from the University of Hull in the United Kingdom.

YEE CHEE KONG is a Director of Kingsmen Projects Pte Ltd. He is responsible for the day-to-day operations, sales development and project management of Kingsmen Projects Pte Ltd. He joined our Group in 1989 as Project Executive where he was in charge of sales and project management. Thereafter, he held various positions including Senior Project Manager and Division Manager. He was appointed Project Director in 1999. Mr Yee studied Furniture Design and Production at the Baharuddin Vocation Institute and was awarded a certificate by the Industrial Training Board.

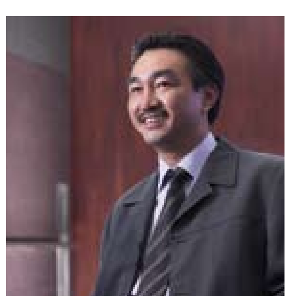
ALEX WEE HUAT SENG is a Director of Kingsmen Projects Pte Ltd. He is responsible for the day-to-day operations, business development, project management and management routine of Kingsmen Projects Pte Ltd. He has been with Kingsmen Projects Pte Ltd since 1990 and has held various positions including Senior Project Manager and Division Manager. He was appointed Director in 2000. He was awarded a Certificate of Completion from the University of Newcastle in Australia for the Construction Economics and Quantity Surveying Program in 2000. He has also received a Certificate in Interior Finishing Co-Ordination from BCA. In Year 2004, Mr. Wee graduated with a Bachelor (Honours) degree in Construction Management from University of Newcastle of Australia.

ONG CHIN KWAN is our Creative Director. His responsibilities include charting creative directions for Kingsmen Design Pte Ltd and managing our team of over 40 designers and ensuring that all works produced by the team meet the aesthetic, functional and budgetary requirements of our clients. From 1981 to 1989, he was at Chhada Siembieda & Associates as senior draughtsman involved in mainly hospitality design. From 1989 to 1991, he was a senior designer in Tema Colleciones Pte Ltd. He worked as a freelance associate designer for our Group before joining our Group as a senior designer in July 1996. Mr Ong is a member of the Interior Design Association, Singapore. He received a Master of Design from the University of New South Wales.

TAY KAY SOCK GERALD is our Design Director. He is responsible for the day-to-day operations and for the efficiency of the designers from the point of conceptualisation to implementation. He joined our Group in 1985 as a designer and was promoted to senior designer in 1988. He was then promoted to Design Director of Kingsmen Design Pte Ltd in 2000. He is experienced both in interior and exhibition projects. His first job from 1983 to 1985, was as a designer at Yada Planners & Designers Pte Ltd. Mr Tay is a member of the Interior Designers' Association, Singapore. He was awarded the Industrial Technician Certificate in Interior Design by the Vocation and Industrial Training Board in Singapore.

(from left to right)

Michael Ng Hung Chiao
Yee Chee Kong
Alex Wee Huat Seng
Ong Chin Kwan
Tay Kay Sock Gerald
Tan Kwong Ngiap
Cheong Chai Keng
Stephen Lim Hock Chye
Judith Low Chu Li



TAN KWONG NGIAP is the Director of I-Promo Events and Marketing Pte Ltd. His responsibilities include developing the business direction of I-Promo Events and Marketing Pte Ltd and formulating marketing strategies. From 1985 to 1994, he was the Vice President of Reed Exhibition Companies where he was in charge of sales and marketing and organising exhibitions and conferences in Asia. From 1995 to 1998, he joined RAI Exhibitions Singapore Pte Ltd as Managing Director and was in charge of setting up the Asian headquarters in Singapore. He was also involved in formulating, launching and managing exhibitions and conferences in Asia. In 2000, Mr Tan joined Suntec City Exhibition & Convention Centre as the Event Director and was responsible for the formulation, launch and management of the exhibitions, events and conferences taking place at the Suntec City Exhibition & Convention Centre. In 2001, he set up I-Promo Events and Marketing Pte Ltd with Kingsmen International Pte Ltd and he was appointed its director. He received a Master of Business Administration (Strategic Marketing) from the University of Hull in the United Kingdom.

STEPHEN LIM HOCK CHYE is a Director of Kingsmen Indochina Pte Ltd. He is currently responsible for the day-to-day operations; sales, marketing and financial matters of our Vietnam Operations. He has also been the General Director of Kingsmen Vietnam Co., Ltd, a wholly-owned subsidiary of Kingsmen Indochina Pte Ltd, since 1998. Mr Lim has more than 22 years experience in operations & project management in different disciplines of exhibitions, events and retail interiors. In 1992, he joined Kingsmen Indochina Pte Ltd as General Manager with responsibilities for its overall operations in Vietnam. In 1994, he became a director of Kingsmen Indochina Pte Ltd. Mr Lim completed his secondary school education in 1973.

CHEONG CHAI KENG is the Director of our Malaysia Operations. He is responsible for the day-to-day operations, marketing and financial matters of our Malaysian operations. Mr Cheong joined our Malaysia operations in 1983 as a designer and was promoted to a project manager in 1985. He then became Director of the then Keb Systems Sdn Bhd in 1985. He obtained a diploma in Mechanical Engineering from the Federal Institute Technology.

JUDITH LOW CHU LI is our Financial Controller and is responsible for the overall management of our Group's financial reporting, internal control and accounting processes. Before joining the Group, she was the Financial Controller of another listed company in Singapore and prior to that an Auditor with Ernst and Young. Ms Low obtained her Bachelor of Accountancy from Nanyang Technological University and is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore.





1. Grob Hogen, ITMA Asia, Singapore
2. Sunwave, CommunicAsia, Singapore
3. TOK, Semicon Singapore
4. Images of Singapore

EXHIBITIONS AND MUSEUMS

Innovative

Innovative design and creative production works are the core strengths of our design team. By constantly creating fresh and effective designs that are brilliantly executed, we help our clients achieve their marketing objectives.

Our Exhibitions and Museums Division provides our clients with integrated solutions from design conceptualization, project management to production for tradeshows, special events, museums and visitor centres.

Despite the absence of a major exhibition event, we managed to achieve revenue of S$30.4 million. from events such as LIMA, ITMA, TFAP, Label Expo, Korea Airshow and SIBOS. Other contributors are the recent completion of a museum, a retail and F&B project in Sentosa, an exhibition gallery in Singapore Science Centre and Changi Chapel Museum.

For the current financial year, this Division will benefit from the expansion of our Malaysia operations, as well as growth opportunities in Vietnam driven by the country's booming tourism industry, new infrastructure projects planned by the government, and major developments in the retail and exhibition sectors.

1


1. The Hour Glass, Singapore
2. MINI Showroom, Singapore
3. Samsonite Black Label, Singapore
4. Esprit, Singapore

RETAIL AND OFFICE INTERIOR

2


3


4


Service

Our professional and global services have earned us our clients' respect and trust. Backed by 30 years of experience in providing quality design and production services, we have created some of the finest interiors for retail, banks, department stores, corporate offices, restaurants and specialty stores.

Our Interiors Division provides interior design and fit-out services for retail stores, restaurants, banks, department stores, corporate offices and showrooms.

With the improved market sentiment for the retail and office fit-out industry last year, revenue rose significantly by S$13.4 million to S$76.7 million in FY2005. This improvement is due to our focused efforts in key accounts management which entailed "roll-out programmes" to cater to the clients' regional needs. In addition, resources were allocated to produce cost-competitive, high quality fixtures for retail interiors and regional export.

The bulk of revenue from this Division came from key accounts including Baccarat, Burberry, DFS, Dickson Group, Esprit, Nokia, FJ Benjamin, Nuance-Watsons, Osim, P&G, Pertama, POSBank, and Wing Tai. We have also completed a few motor showrooms in Singapore and numerous motor showrooms and shops in Vietnam.

We are confident that the growing regional export business in the Asia Pacific will provide opportunities for this Division to expand its operations in the short to medium term.

1. BMW 3 Series Event, Singapore
2. Cold Storage Campaign, Singapore
3. Travel Malaysia, Singapore
4. OCBC Event, Singapore

INTEGRATED MARKETING COMMUNICATIONS

Commitment

In our pursuit to provide end-to-end marketing communication solutions to our clients, we are committed to delight our customers by relentlessly exceeding their expectations. We have demonstrated the power of integrating different marketing communication mixes to yield better return on investments.

As part of an integrated component in Kingsmen's capability, we offer a range of effective marketing and branding services to assist our clients in developing strategies for promoting brand awareness to their consumers. Our Integrated Marketing Communications Division manages extensive range of events including product launches, press and public events, sponsored events and promotions of shopping malls.

We have worked with OCBC's Wealth Management Campaign, Travel Malaysia and HSBC's Institutional Trust at Wisma Atria. Revenue for this Division increased marginally from S$2.26 million to S$2.31 million last year.

1. Raoul, Singapore
2. La Senza, Singapore
3. Singapore Technologies, Asian Aerospace, Singapore
4. Peugeot Showroom, Singapore

RESEARCH AND DESIGN

Creative

Our design team works closely with our clients to find the best and most cost-effective solutions to their needs. With creative designs that capture current trends and award-winning ideas, we successfully stretch our clients' marketing dollars.

Our Research and Design Division, comprises of 70 designers with diverse local and international talents, supporting our interiors and exhibitions & museums divisions. With the capabilities of developing a thorough research on our clients' real insights into customer behavior and needs, we are able to to meet clients' objectives and produce award-winning designs. We received the Best Design Award for Vinh Hoan at Vietfish 2005, Vietnam and our client BMW won the "Bronze Award for Exhibition Stand Design (Large Size)" for BMW 3 Series Launch and "Silver Award" under the same category for the new BMW 7 Series Event.

More design jobs undertaken last year helped to raise the revenue of the Research and Design Division slightly to S$2.5 million, compared to S$2.0 million for FY2004.

This Division will continue to offer solutions to our customers that reflect cutting edge trends. We are committed to producing ideas that are based on our research findings and our best design expertise -- ideas that combine practical functionality and aesthetic appeal.

DIRECTORS
Benedict Soh Siak Poh *(Group Managing Director)*
Simon Ong Chin Sim *(Group Executive Director)*
Anthony Chong Siew Ling *(Executive Director)*
Khoo Ho Tong *(Non-executive Director)*
Prabhakaran Narayanan Nair *(Independent Director)*
Lee Hock Lye *(Independent Director)*

COMPANY SECRETARIES
Judith Low Chu Li
Loeng Kim Yan Daphne

AUDIT COMMITTEE
Lee Hock Lye *(Chairman)*
Prabhakaran Narayanan Nair
Khoo Ho Tong

NOMINATING COMMITTEE
Prabhakaran Narayanan Nair *(Chairman)*
Lee Hock Lye
Khoo Ho Tong
Benedict Soh Siak Poh
Simon Ong Chin Sim

REMUNERATION COMMITTEE
Khoo Ho Tong *(Chairman)*
Lee Hock Lye
Prabhakaran Narayanan Nair

SHARE REGISTRAR
Lim Associates Pte Ltd
10 Collyer Quay
#19-08 Ocean Building
Singapore 049315

REGISTERED OFFICE
3 Changi South Lane
Singapore 486118
Tel 6880 0088
Fax 6880 0038

AUDITORS
Ernst & Young
Certified Public Accountants
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315
Partner-in-charge: Max Loh
Date of appointment: 23 January 2003

BANKERS
United Overseas Bank Limited
The Hongkong and Shanghai Banking Corporation Ltd
Development Bank of Singapore Ltd

Corporate Governance Report

Kingsmen Creatives Ltd. ("the Company") is committed to achieving a high standard of corporate governance, with specific reference to complying with the Code of Corporate Governance ("the Code"). Good corporate governance provides the framework for an ethical and accountable corporate environment, which will safeguard the interests of shareholders. This Corporate Governance Report outlines the corporate governance practices that were in place throughout the financial year ended 31 December 2005 ("FY2005") with specific reference to each of the principles set out in the Code. Deviations from the Code are explained. The Company has complied with the principles of the Code where appropriate.

1. BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board of Directors effectively sets and directs the long-term vision and strategic direction of the Group.

Presently, the Board comprises six Directors (of whom two are independent Directors). Information on and profiles of the Directors are set out in the Board of Directors' section of this Annual Report. The Board of Directors is constituted as follows:-

Executive Directors
Mr Benedict Soh Siak Poh, Group Managing Director
Mr Simon Ong Chin Sim, Group Executive Director
Mr Anthony Chong Siew Ling, Executive Director

Non-Executive and Independent Directors
Mr Lee Hock Lye (Independent)
Mr Prabhakaran Narayanan Nair (Independent)
Mr Khoo Ho Tong (Non-executive)

The Board of Directors meets at least four times a year and at other times as appropriate and is entrusted with the responsibility for the overall management and corporate affairs of the Group. Matters which specifically require the Board's decision or approval are those involving:-

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of Board Directors and appointment of key personnel;
- half-year and full-year results for announcements, annual reports and accounts;
- material acquisitions and disposals of assets; and
- all matters of strategic or material importance.

All other matters are delegated to committees whose actions will be monitored by the Board. These committees include the Audit Committee, the Nominating Committee and the Remuneration Committee, which operate within clearly defined terms of reference and functional procedures.

Newly-appointed Directors will be given an orientation program with materials provided to help them familiarise themselves with the business and organisational structure of the Group. To get a better understanding of the Group's business, the Directors are also given opportunities to visit the Group's operational facilities and meet with management staff.

The attendance of the Directors at Board Meetings and meetings of various committees in FY2005 is as follows:

	Board of Directors		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**	**No. of Meetings Held**	**No. of Meetings Attended**
Benedict Soh Siak Poh	4	4	-	-	1	1	-	-
Simon Ong Chin Sim	4	3	-	-	1	1	-	-
Anthony Chong Siew Ling	4	4	-	-	-	-	-	-
Lee Hock Lye	4	4	4	4	1	1	2	2
Prabhakaran Narayanan Nair	4	3	4	3	1	1	2	2
Khoo Ho Tong	4	4	4	4	1	1	2	2

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

Currently, the Board consists of six Directors, of whom two are considered independent by the Nominating Committee ("NC"). The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review and the NC is of the view that Mr Lee Hock Lye and Mr Prabhakaran Narayanan Nair are independent.

The Board has examined its size and is of the view that it is an appropriate size for effective decision making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process currently. The Board comprises directors who as a group provide the right core competencies and diversity of experience to contribute effectively.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibility at the top of the Company - the working of the Board and the executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Taking into account the current structure and the scope of the Company's operation, the Board of Directors is of the view that the separation of the role of chairman and group managing director is not necessary.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The NC was formed on 8 September 2003 with two independent Directors, Mr Prabhakaran Narayanan Nair and Mr Lee Hock Lye, and our Group Executive Director Mr Simon Ong Chin Sim. The Chairman of the NC is Mr Prabhakaran Narayanan Nair. On 25 February 2004, two more directors were appointed to the NC namely, Mr Benedict Soh Siak Poh and Mr Khoo Ho Tong. The principal functions of the NC are as follows:-

- to re-nominate existing Directors, having regard to their contribution and performance;
- to determine on an annual basis whether or not a Director is independent; and
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple board representations.

Corporate Governance Report

The year of initial appointment and last re-election of the Directors is set out below:

Name	Position	Date of Appointment	Date of Last Re-election
Benedict Soh Siak Poh	Group Managing Director	16 December 2002	-
Simon Ong Chin Sim	Group Executive Director	16 December 2002	25 April 2005
Anthony Chong Siew Ling	Executive Director	12 August 2003	26 April 2004
Khoo Ho Tong	Non-Executive Director	12 August 2003	26 April 2004
Prabhakaran Narayanan Nair	Independent Director	12 August 2003	25 April 2005
Lee Hock Lye	Independent Director	12 August 2003	26 April 2004

When a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a Director of the Company.

Information required in respect of the academic and professional qualifications of the Directors is set out in the "Board of Directors" section of this Annual Report. In addition, information on shareholdings in the Company held by each Director is set out in the "Report of the Directors" section of this Annual Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the Directors have enhanced long-term shareholders' value. The performance evaluation takes into consideration a number of factors, including achievement of financial targets, performance of the Board, performance of individual directors vis-à-vis attendance and contributions during Board meetings, as well as other factors set out in the Code. The Board is currently formalizing the process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution from each individual Director to the effectiveness of the Board. Once the performance criteria for such process has been decided, the Board will not change the performance criteria unless changes are deemed necessary and the Board is able to justify the changes. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

The Company makes available to all Directors its quarterly management accounts and other financial statements, budgets and forecasts, together with all other relevant information. Detailed board papers are sent out to the Directors before the scheduled meetings so that the Board may better understand the issues prior to the meetings. In respect of budgets, any material variance between the projections and the actual results is reviewed by the Board and disclosed and explained by the Management, where required by the Board.

The Directors have also been provided with the contact details of the Company's senior management and Company Secretary to facilitate separate and independent access. The Company Secretary attends the Board meetings. Together with Management, the Company Secretary is responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST are complied with.

The Board is of the view that the Directors should, in furtherance of their duties, take independent professional advice, if necessary, at the Company's expense.

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") was formed on 8 September 2003 and comprises two independent Directors, Mr Lee Hock Lye and Mr Prabhakaran Narayanan Nair, and one non-executive Director, Mr Khoo Ho Tong who is also the Chairman of the RC.

The role of the RC is to review and recommend to the Board, an appropriate and competitive framework of remuneration for the Board and key executives to ensure that such remuneration framework is competitive and sufficient to attract, retain and motivate senior management to run the Company successfully to maximise shareholders' value. The written terms of reference of the RC provides for a formal and transparent procedure for fixing the remuneration packages of individual directors, and no director is involved in deciding his own remuneration. The RC members are familiar with executive compensation matters as they manage their own businesses and/or are holding directorships in the board of other listed companies.

The RC also administers the Kingsmen Share Option Scheme ("the Scheme"). Details of the Scheme are contained in the "Report of the Directors" section of this Annual Report.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the Company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of the executive directors' remuneration should be structured so as to linked rewards to corporate and individual performance.

In setting the remuneration packages, the RC ensures that the Directors are adequately but not excessively remunerated as compared to the industry and comparable companies. In reviewing the remuneration packages, the RC takes into account the Company's relative performance and the performance of individual directors.

Service Agreements

The Company had, on 11 June 2003, entered into separate service agreements with Mr Benedict Soh Siak Poh and Mr Simon Ong Chin Sim. Each service agreement is valid for an initial period of 3 years from 1 July 2003 and shall, upon expiry, be automatically renewed on a three-year basis on such terms and conditions as the parties shall agree.

Pursuant to the terms of the respective service agreements, both Mr Benedict Soh Siak Poh and Mr Simon Ong Chin Sim are each entitled to receive a fixed monthly salary and transport allowance and an annual variable and discretionary bonus of up to three months' salary. In addition, they will also be paid and transport allowance incentive bonus of 3% of the consolidated profit before tax of the Group.

Under the service agreements, the remuneration of Mr Benedict Soh Siak Poh and Mr Simon Ong Chin Sim is subject to review by the RC on the 1st day of July in each year of service. The RC shall review the terms of the service agreements before they are renewed.

Other Incentive Bonus Arrangements

Mr Anthony Chong Siew Ling, the Executive Director, is entitled to an incentive bonus of 2.4% and 3% of the profit before tax of Kingsmen Environmental Graphics Pte Ltd and Kingsmen Exhibits Pte Ltd, being subsidiaries of the Company. The incentive bonus will be paid within two weeks after the approval of the audited accounts by the board of the respective subsidiaries.

Corporate Governance Report

Independent and Non-executive Directors

All independent and non-executive Directors do not have service contracts with the Company. However, a fixed fee will be paid, which is determined by the Board, taking into account the effort, time spent and responsibilities of each independent or non-executive Director. The fees are subject to approval of the shareholders at each AGM.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The remuneration of Directors and key executives are set out below:

	Fees %	Salary %	Bonus/ Incentives %	Other Benefits %	Share Options %	Total %
Remuneration Band and Name of Director						
$500,000 to $749,999						
Benedict Soh Siak Poh	16%	62%	22%	-	-	100%
Simon Ong Chin Sim	15%	63%	22%	-	-	100%
$250,000 to $499,999						
- Non -						
Below $250,000						
Lee Hock Lye	100%	-	-	-	-	100%
Prabhakaran Narayanan Nair	100%	-	-	-	-	100%
Khoo Ho Tong	100%	-	-	-	-	100%
Anthony Chong Siew Ling	18%	63%	13%	6%	-	100%

A breakdown, showing the level and mix of top five key executives in FY2005 is as follows:-

	Fees %	Salary %	Bonus/ Incentives %	Other Benefits %	Share Options %	Total %
Remuneration of top 5 key executives (who are not directors)						
$150,000 to $250,000						
Alex Wee Huat Seng	6%	55%	33%	6%	-	100%
Francis Yee Chee Kong	6%	55%	33%	6%	-	100%
Stephen Lim Hock Chye	6%	60%	28%	6%	-	100%
Roy Ong Chin Kwan *	7%	63%	24%	6%	-	100%
Michael Ng Hung Chiao	9%	68%	15%	8%	-	100%

* Mr Roy Ong Chin Kwan is an immediate family member of Mr Simon Ong Chin Sim, our Group Executive Director. Save as disclosed above, there are no other employees who are related to a director, whose remuneration exceeds S$150,000.

Details of the Kingsmen Share Option Scheme are contained in the "Report of the Directors" section of this Annual Report.

No options were granted to directors, executive officers or employees during FY2005.

3. ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

In line with continuous disclosure obligations of the Company and pursuant to the Listing Manual of the SGX-ST and the Companies Act, Chapter 50, the Board's policy is that shareholders shall be informed of all major developments of the Company. Information is communicated to shareholders on a timely basis through SGXNet and the press. The Board also provides shareholders with a detailed and balanced explanation of the Company's performance, position and prospects on a half-yearly basis.

The Management makes available to all Directors its quarterly management accounts and other financial statements, together with all other relevant information of the Group's performance, position and prospects.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC") was formed on 8 September 2003 and comprises two independent Directors, Mr Lee Hock Lye and Mr Prabhakaran Narayanan Nair, and one non-executive Director, Mr Khoo Ho Tong. Mr Lee Hock Lye is the Chairman of the AC.

Mr Lee Hock Lye is an Associate of the Chartered Institute of Bankers, UK and a member of the Singapore Institute of Directors. He is currently a Managing Director at HSBC Private Bank (Suisse) SA. Mr Lee graduated with a Bachelor of Social Sciences (Honours) degree in Economics from the University of Singapore. Mr Prabhakaran Narayanan Nair is an Advocate and Solicitor of Singapore and is currently a partner of a law firm in Singapore, Messrs Ong Tan & Nair. He has been practising law in this law firm since 1986 and obtained his law degree from the University of Singapore. Mr Khoo Ho Tong is a partner of a public accounting firm, Messrs H.T Khoo & Company, and has been a practicing public accountant for over 20 years. Mr Khoo is a certified Fellow Public Accountant in Singapore. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

The AC has scheduled a minimum of four meetings in each financial year. The meetings shall be held, inter alia, for the following purposes:-

- reviewing the Company's half-year results announcements, the financial year statements of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors for approval of release of the results announcement to the SGX-ST;
- reviewing the audit plans and reports of the external auditors and to consider the effectiveness of the actions taken by Management on the auditors' recommendations;
- reviewing the assistance and co-operation given by Management to the external auditors;
- discussing problems and concerns, if any, arising from the interim and final audits;
- nominating external auditors for re-appointment; and
- reviewing interested person transactions, as defined in the Listing Manual of the SGX-ST.

The AC has reviewed the volume of non-audit services provided to the Company by the external auditors, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to confirm their re-nomination.

The AC annually reviews the independence of the external auditors.

In addition, the AC is tasked to commission investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

The AC will meet with the external auditors, without the presence of Management, when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit and the independence, objectivity and observations of the auditors.

Corporate Governance Report

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the Company's assets.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by Management which was in place throughout FY2005 and up to the date of this report is adequate to safeguard the shareholders' investment and the Company's assets, and provides reasonable, but not absolute, assurance against material financial misstatements and losses, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and identification and containment of business risks. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The AC has reviewed the Company's risk assessment procedures. Based on the Internal Audit reports and management controls in place, it is satisfied that there are adequate internal controls in the Group. The AC will review the risk assessment procedures of the Company on a half-yearly basis.

Internal Audit

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

The Company has established an in-house Internal Audit Function which performs financial audits, implements operational and compliance controls, oversees risk management and audits other management processes. The Internal Audit Function reports its findings and recommendations to the Chairman of the AC and reports administratively to the Group Managing Director.

4. COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.
Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow the shareholders the opportunity to communicate their views on various matters affecting the Company.

The Board is mindful of the obligation to provide regular, effective and fair communication with shareholders. Information is communicated to the shareholders on a timely basis. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts. Results and annual reports are announced or issued within the mandatory period and will also be made available to the public on the Company's website. The Company has an external public relations firm to assist in all matters of communication with its investors, analysts, and media as well as to attend to their queries.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad-hoc basis. Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. Each item of special business included in the notices of shareholders' meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at shareholders' meetings. The Chairman of the Audit, Remuneration and Nominating Committees are normally available at the shareholders' meetings to answer those questions relating to the work of these committees. The external auditors are also present to assist the directors in addressing any relevant queries by shareholders. The AGM is the principal forum for dialogue with shareholders.

The Articles of Association of the Company allow a member of the Company to appoint one or two proxies to attend and vote in place of the member. The Company does not intend to implement absentia voting methods e.g. by mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

5. DEALINGS IN SECURITIES

The Company has adopted policies and implemented the Best Practices Guide set out in the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Best Practices Guide has been made known to directors, officers and staff of the Group. In particular, it has been highlighted that dealing in the Company's securities, when the officers (including directors and employees) are in possession of unpublished material price sensitive information in relation to those securities, is an offence. The Company's officers are also discouraged from dealing in the Company's securities on short-term considerations, and are prohibited to trade in the Company's securities for the period of one month before the announcement of the half-year or full-year results.

6. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons which sets out the procedures for review and approval of such transactions.

All interested person transactions will be documented and submitted periodically to the AC for their review to ensure that such transactions are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the Company.

The AC reviewed the following significant transactions entered into by the Company with its interested persons for FY2005 in accordance with its existing procedures:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transaction less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transaction less than S$100,000)
Kingsmen International Pte Ltd	$ 1,191,763	-
Kingsmen Hong Kong Ltd	-	$207,931
Kingsmen Taiwan (Int'l) Co Ltd	-	$103,520

The AC confirms that these interested person transactions were entered into at arm's length basis and on normal commercial terms and were not prejudicial to the shareholders of the Company.

7. RISK MANAGEMENT AND PROCESSES

The AC and Management assume responsibility for monitoring the Group's risk management. The AC ensures that Management has adequate internal controls and systems in place, and that corporate governance procedures have been taken into account by Management in their overall review and evaluation of the Group's business and risk management processes.

During the year, external consultants have conducted various workshops with the Group's senior management staff to inculcate awareness of financial, operational and business risks applicable to the operations of the Group.

In addition, all material transactions are subject to risk analysis. All necessary steps to manage risks in new projects will be taken before they are embarked on. The Company's Financial Controller and Internal Auditor also assist in the risk management process by identifying and highlighting areas of concern while conducting financial/audit checks.

Financial Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Kingsmen Creatives Ltd ("the Company") and its subsidiaries ("the Group") for the financial year ended 31 December 2005, and the balance sheet as at 31 December 2005, and statement of changes in equity for the financial year ended 31 December 2005 of the Company.

Directors

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

Benedict Soh Siak Poh	(Group Managing Director)
Simon Ong Chin Sim	(Group Executive Director)
Anthony Chong Siew Ling	(Executive Director)
Khoo Ho Tong	(Non-Executive Director)
Prabhakaran Narayanan Nair	(Independent Director)
Lee Hock Lye	(Independent Director)

In accordance with Articles 107 and 108 of the Company's Articles of Association, Benedict Soh Siak Poh and Khoo Ho Tong retire, and being eligible, offer themselves for re-election as directors.

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, interests in shares of the Company, as stated below:

	Direct interest			Deemed interest		
Name of director	**At 1.1.2005**	**At 31.12.2005**	**At 21.1.2006**	**At 1.1.2005**	**At 31.12.2005**	**At 21.1.2006**
The Company						
Kingsmen Creatives Ltd						
(Ordinary shares of $0.075 each)						
Benedict Soh Siak Poh	5,056,293	5,056,293	5,056,293	25,428,707	25,428,707	25,428,707
Simon Ong Chin Sim	5,056,280	5,056,280	5,056,280	25,328,707	25,328,707	25,328,707
Anthony Chong Siew Ling	3,123,174	3,123,174	3,123,174	–	–	–
Khoo Ho Tong	50,000	50,000	50,000	–	–	–
Prabhakaran Narayana Nair	100,000	100,000	100,000	–	–	–

By virtue of Section 7 of the Singapore Companies Act, Benedict Soh Siak Poh and Simon Ong Chin Sim are deemed to have interests in all the subsidiaries held by the Company by virtue of their interests in more than 20% of the issued share capital of the Company.

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

Directors' contractual benefits

Except as disclosed in the financial statements, during the financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or by a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Share options

The Kingsmen Share Option Scheme ("the Scheme") was approved by the members of the Company at an Extraordinary General Meeting held on 11 August 2003. On 26 April 2004, the members of the Company approved the grant of incentive options at a maximum discount not exceeding 20% of the market price under the Scheme.

Under the rules of the Scheme, all directors (including non-executive and independent directors) and employees of the Company and its subsidiaries are eligible to participate in the Scheme. Controlling shareholders will not be eligible to participate in the Scheme. All participants are allowed to exercise the options within the exercise period only if they remain under the employment of the Company. The options do not carry any rights to participate in the share issues of the subsidiaries of the Company.

The Scheme is administered by the Remuneration Committee, comprising 3 Board directors, all of whom are non-executive directors. The Remuneration Committee is charged with the administration of the Scheme in accordance with the rules of the Scheme. The members of the Remuneration Committee are:

Khoo Ho Tong (Chairman)
Lee Hock Lye
Prabhakaran Narayanan Nair

The Scheme has 2 categories of options, being the market price option and the incentive option. The exercise price for each share in respect of which an option is exercisable shall be determined by the Remuneration Committee at its absolute discretion and fixed by the Remuneration Committee.

The total number of shares over which options may be granted shall not exceed 15% of the issued share capital of the Company.

Unissued ordinary shares under the share option scheme as at 31 December 2005 were as follows:

Date of grant	Exercise period	Exercise price ($)	Balance at 1.1.2005	Options forfeited (*)	Balance at 31.12.2005
21.05.2004	21.05.2005 – 21.05.2009	0.25	200,000	–	200,000
31.05.2004	31.05.2005 – 31.05.2009	0.21	3,100,000	(100,000)	3,000,000
			3,300,000	(100,000)	3,200,000

* *These options were forfeited due to resignation of the holders.*

Share options *(cont'd)*

The details of the outstanding share options granted to the directors and employees of the Company and its subsidiaries, and participants who received 5% or more of the total number of options available under the Scheme are as follows:

Name of participants	Exercise period	Exercise price ($)	Aggregate options granted since commencement of Scheme up to 31.12.2005	Aggregate options outstanding as at 31.12.2005
Executive director of the Company				
Anthony Chong Siew Ling	31.05.2005-31.05.2009	0.21	200,000	200,000
Directors of subsidiaries				
Alex Wee Huat Seng	31.05.2005-31.05.2009	0.21	200,000	200,000
Cheong Chai Keng	31.05.2005-31.05.2009	0.21	200,000	200,000
Gerald Tay Kay Sock	31.05.2005-31.05.2009	0.21	200,000	200,000
Goh Ting Meng	31.05.2005-31.05.2009	0.21	200,000	200,000
Michael Ng Hung Chiao	31.05.2005-31.05.2009	0.21	200,000	200,000
Ong Chin Kwan*	21.05.2005-21.05.2009	0.25	200,000	200,000
Yee Chee Kong	31.05.2005-31.05.2009	0.21	200,000	200,000
Employees				
Anthony Ang Kwee Tong	31.05.2005-31.05.2009	0.21	200,000	200,000
Judith Low Chu Li	31.05.2005-31.05.2009	0.21	200,000	200,000

Except as disclosed above, no other options to take up unissued shares of the Company or its subsidiaries were granted. No other options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year. No shares were issued by way of the exercise of the options during the financial year.

* *Ong Chin Kwan is the brother of Simon Ong Chin Sim, the Group Executive Director*

Audit committee

The Audit Committee comprises 3 Board directors, all of whom are independent non-executive directors. The majority of the members are independent. The members of the Audit Committee at the date of this report are:

Lee Hock Lye (Chairman)
Prabhakaran Narayanan Nair
Khoo Ho Tong

During the financial year, the Audit Committee held 4 meetings and performed the functions specified in Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company and ensures the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the external and internal auditors;
- Reviews the half-yearly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of directors;
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

Audit committee *(cont'd)*

- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Recommends to the Board of directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the Audit Committee to the Board of directors with such recommendations as the Audit Committee considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST") Listing Manual.

The Audit Committee has full access to and co-operation by the Company's management and has full discretion to invite any director or executive officer to attend its meetings. The Financial Controller attends meetings of the Audit Committee. The auditors have unrestricted access to the Audit Committee. The Audit Committee has reasonable resources to enable it to discharge its functions properly.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of directors,

Benedict Soh Siak Poh
Group Managing Director

Simon Ong Chin Sim
Group Executive Director

Singapore
17 March 2006

Statement by the Directors

Pursuant to Section 201(15)

We, Benedict Soh Siak Poh and Simon Ong Chin Sim, being two of the directors of Kingsmen Creatives Ltd, do hereby state that, in the opinion of the directors:

(i) the accompanying consolidated profit and loss account, balance sheets, statements of changes in equity and consolidated statement of cash flows, together with the notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005, and of the results of the business, changes in equity and cash flows of the Group, and changes in equity of the Company for the financial year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of directors,

Benedict Soh Siak Poh
Group Managing Director

Simon Ong Chin Sim
Group Executive Director

Singapore
17 March 2006

Auditors' Report
to the members of Kingsmen Creatives Ltd

We have audited the accompanying financial statements of Kingsmen Creatives Ltd ("the Company") and its subsidiaries ("the Group") set out on pages 36 to 83 for the financial year ended 31 December 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005, and the results, changes in equity and cash flows of the Group, and changes in equity of the Company for the financial year then ended; and

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

ERNST & YOUNG
Certified Public Accountants

Singapore
17 March 2006

Consolidated Profit and Loss Account
for the financial year ended 31 December 2005

	Note	Group 2005 $'000	Group 2004 $'000 (As restated)
Revenue	3	76,742	63,261
Cost of sales		(56,201)	(46,794)
Gross profit		20,541	16,467
Other income	4	890	816
Depreciation of property, plant and equipment	11	(795)	(544)
Staff salaries and related expenses	5	(12,073)	(10,240)
Other operating expenses		(5,811)	(4,867)
Share of results of associates	14	184	211
Financial expenses	6	(65)	(82)
Financial income	7	12	34
Profit before taxation	8	2,883	1,795
Taxation	9	(519)	(368)
Profit for the financial year		2,364	1,427
Attributable to:			
Equity holders of the parent		2,192	1,261
Minority interests		172	166
		2,364	1,427
Earnings per share (cents)	10		
Basic		2.17	1.26
Diluted		2.17	1.26

The accounting policies and explanatory notes on pages 42 to 83 form an integral part of the financial statements.

Balance Sheets
as at 31 December 2005

	Note	Group 2005 $'000	Group 2004 $'000 (As restated)	Company 2005 $'000	Company 2004 $'000 (As restated)
Non-current assets					
Property, plant and equipment	11	3,384	2,350	129	119
Goodwill on consolidation	12	1,689	1,689	–	–
Investments in subsidiaries	13	–	–	7,994	7,677
Investments in associates	14	1,866	1,682	1,471	1,471
Other investments	15	434	381	434	381
Current assets					
Inventories	16	2	2	–	–
Contracts work-in-progress	17	1,992	756	–	–
Trade receivables	18	26,186	21,901	827	622
Other receivables, deposits and prepayment	19	1,600	1,014	1,963	1,363
Amounts due from subsidiaries	20	–	–	1,220	1,304
Fixed deposits	21	1,193	199	–	–
Cash on hand and at bank		5,710	3,161	136	89
		36,683	27,033	4,146	3,378
Current liabilities					
Progress billings in excess of contracts work-in-progress	17	150	921	–	–
Trade payables	22	17,872	12,995	309	404
Deferred income	23	1,827	325	–	–
Other payables and accruals	24	6,852	4,133	379	508
Amounts due to subsidiaries	20	–	–	1,188	407
Interest-bearing loans and borrowings	25, 31	353	148	–	–
Provision for taxation		691	382	114	4
		27,745	18,904	1,990	1,323
Net current assets		8,938	8,129	2,156	2,055
Non-current liabilities					
Interest-bearing loans and borrowings	25, 31	591	305	–	–
Deferred taxation	26	182	133	9	–
		15,538	13,793	12,175	11,703
Equity					
Share capital	27	7,582	7,582	7,582	7,582
Share premium	28	3,400	3,400	3,400	3,400
Reserves		3,726	2,126	1,193	721
		14,708	13,108	12,175	11,703
Minority interests		830	685	–	–
Total equity		15,538	13,793	12,175	11,703

The accounting policies and explanatory notes on pages 42 to 83 form an integral part of the financial statements.

Statements of Changes in Equity
for the financial year ended 31 December 2005

Group 2005	Attributable to equity holders of the Company						
	Share capital (Note 27)	Share premium (Note 28)	Revenue reserves	Other reserves (Note 29)	Total	Minority interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 31 December 2004, as previously reported	7,582	3,400	2,192	(66)	13,108	685	13,793
Cumulative effects of adopting *FRS 102* (Note 2.2 (a))	–	–	(153)	153	–	–	–
As at 31 December 2004, as restated	7,582	3,400	2,039	87	13,108	685	13,793
Profit for the financial year	–	–	2,192	–	2,192	172	2,364
Fair value of share options granted (Note 29 (a))	–	–	–	101	101	–	101
Net effect of exchange differences (Note 29 (b))	–	–	–	15	15	5	20
Dividends paid (Note 30)	–	–	(708)	–	(708)	–	(708)
Dividends paid to minority interests	–	–	–	–	–	(62)	(62)
Capital contribution due to incorporation of a subsidiary	–	–	–	–	–	30	30
As at 31 December 2005	7,582	3,400	3,523	203	14,708	830	15,538

Group 2004	Share capital (Note 27)	Share premium (Note 28)	Revenue reserves	Other reserves (Note 29)	Total	Minority interests	Total equity
As at 31 December 2003	7,500	3,252	1,528	(9)	12,271	496	12,767
Profit for the financial year	–	–	1,261	–	1,261	166	1,427
Issuance of ordinary shares in exchange for issued share capital of a subsidiary (Note 27)	82	–	–	–	82	–	82
Premium on issuance of ordinary shares (Note 28)	–	148	–	–	148	–	148
Fair value of share options granted (Note 29 (a))	–	–	–	153	153	–	153
Net effect of exchange differences (Note 29 (b))	–	–	–	(57)	(57)	(9)	(66)
Dividends paid (Note 30)	–	–	(750)	–	(750)	–	(750)
Dividends paid to minority interests	–	–	–	–	–	(20)	(20)
Capital contribution by minority interest in a subsidiary	–	–	–	–	–	52	52
As at 31 December 2004, as restated	7,582	3,400	2,039	87	13,108	685	13,793

The accounting policies and explanatory notes on pages 42 to 83 form an integral part of the financial statements.

Statements of Changes in Equity (Cont'd)
for the financial year ended 31 December 2005

	Attributable to equity holders of the Company				
Company 2005	**Share capital** (Note 27)	**Share premium** (Note 28)	**Revenue reserves**	**Other reserves** (Note 29)	**Total equity**
	$'000	$'000	$'000	$'000	$'000
As at 31 December 2004, as previously reported	7,582	3,400	721	–	11,703
Cumulative effects of adopting *FRS 102* (Note 2.2 (a))	–	–	(153)	153	–
As at 31 December 2004, as restated	7,582	3,400	568	153	11,703
Profit for the financial year	–	–	1,079	–	1,079
Fair value of share options granted (Note 29 (a))	–	–	–	101	101
Dividends paid (Note 30)	–	–	(708)	–	(708)
As at 31 December 2005	7,582	3,400	939	254	12,175
Company 2004					
As at 31 December 2003	7,500	3,252	772	–	11,524
Profit for the financial year	–	–	546	–	546
Issuance of ordinary shares in exchange for issued share capital of a subsidiary (Note 27)	82	–	–	–	82
Premium on issuance of ordinary shares (Note 28)	–	148	–	–	148
Fair value of share options granted (Note 29 (a))	–	–	–	153	153
Dividends paid (Note 30)	–	–	(750)	–	(750)
As at 31 December 2004, as restated	7,582	3,400	568	153	11,703

The accounting policies and explanatory notes on pages 42 to 83 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the financial year ended 31 December 2005

	Group	
	2005	**2004**
	$'000	$'000 (As restated)
Profit before taxation	2,883	1,795
Adjustments for:		
Depreciation of property, plant and equipment	795	544
(Gain)/loss on disposal of property, plant and equipment	(55)	2
Property, plant and equipment written off	8	24
Bad debts recovered (trade)	(22)	(78)
Bad debts written off (trade)	21	11
Allowance for doubtful debts (trade)	436	244
Write-back of allowance for doubtful debts (trade)	(2)	(16)
Interest income	(12)	(34)
Interest expense	65	82
Share of results of associates	(184)	(211)
Currency realignment	34	(44)
Operating profit before working capital changes	3,967	2,319
Increase in contracts work-in-progress (net)	(2,007)	(51)
(Increase)/decrease in trade and other receivables	(5,134)	1,527
Increase in trade and other payables	9,199	85
Cash generated from operations	6,025	3,880
Interest paid	(65)	(82)
Interest received	12	34
Tax paid	(331)	(550)
Net cash generated from operating activities	5,641	3,282
Cash flows from investing activities		
Acquisitions of property, plant and equipment	(1,422)	(490)
Proceeds from disposal of property, plant and equipment	172	1
Acquisitions of subsidiaries, net of cash acquired (Note A)	–	(1,463)
Acquisitions of associates	–	(1,471)
Acquisitions of other investments	(53)	–
Net cash used in investing activities	(1,303)	(3,423)
Cash flows from financing activities		
Dividends paid to equity holders of the Company	(708)	(750)
Dividends paid to minority shareholders of the subsidiaries	(62)	(20)
Repayment of finance lease obligations (net)	(89)	(6)
Repayment of long-term bank borrowings (net)	(6)	(92)
Net cash used in financing activities	(865)	(868)
Net increase/(decrease) in cash and cash equivalents	3,473	(1,009)
Cash and cash equivalents at beginning of financial year	3,299	4,308
Cash and cash equivalents at end of financial year (Note B)	6,772	3,299

The accounting policies and explanatory notes on pages 42 to 83 form an integral part of the financial statements.

Consolidated Statement of Cash Flows (Cont'd)
for the financial year ended 31 December 2005

Notes to the Consolidated Statement of Cash Flows

Note A: Summary of effects on acquisitions of subsidiaries

The attributable assets and liabilities of subsidiaries acquired in 2004 and the cash flows effects of the acquisitions were set out as follows:

	2005	2004
	$'000	$'000
Property, plant and equipment	–	81
Contracts work-in-progress (net)	–	3
Trade and other receivables	–	1,372
Trade and other payables	–	(1,272)
Provision for taxation	–	(128)
Cash and cash equivalents	–	465
Minority interests	–	(52)
Net assets acquired	–	469
Goodwill arising from the acquisitions	–	1,689
Total purchase consideration	–	2,158
Purchase consideration satisfied by issuance of new shares	–	(230)
Cash and cash equivalents of subsidiaries acquired	–	(465)
Net cash outflow on acquisition of subsidiaries	–	1,463

Note B: Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following:

	2005	2004
Cash on hand and at bank	5,710	3,161
Fixed deposits (Note 21)	1,193	199
Bank overdrafts (Note 25)	(131)	(61)
Cash and cash equivalents	6,772	3,299

The fixed deposits of $143,000 (2004: $199,000) are pledged to the banks for overdraft facilities granted to certain subsidiaries (Note 25).

The accounting policies and explanatory notes on pages 42 to 83 form an integral part of the financial statements.

1. Corporate information

Kingsmen Creatives Ltd (the "Company") is a limited company, which is incorporated in the Republic of Singapore. The registered office and principal place of business of the Company is located at Kingsmen Creatives Centre, 3 Changi South Lane, Singapore 486118.

The principal activity of the Company is that of investment holding, and the provision of corporate marketing and other related services. There have been no significant changes in the nature of this activity during the financial year.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. Significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis.

The financial statements are presented in Singapore Dollars (S$) and all values are rounded to the nearest thousand ($'000) except where otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

(a) Adoption of new FRSs

On 1 January 2005, the Group and the Company adopted the following new financial reporting standards, mandatory for annual financial periods beginning on or after 1 January 2005.

FRS 39 (revised), Financial Instruments: Recognition and Measurement

The Group and the Company adopted *FRS 39* prospectively on 1 January 2005. At that date, financial assets within the scope of *FRS 39* were classified as either loans and receivables, or available-for-sale financial assets. Unquoted equity investments classified as available-for-sale financial assets were measured at cost, as its fair value cannot be reliably measured, while loans and receivables were measured at amortised cost using the effective interest rate method.

As at 1 January 2005, financial liabilities within the scope of *FRS 39* were measured at amortised costs using the effective interest rate method.

The adoption of FRS 39 did not result in any adjustment to the financial statements of the Group and the Company for the financial year ended 31 December 2005.

2. Significant accounting policies *(cont'd)*

2.2 Changes in accounting policies *(cont'd)*

(a) Adoption of new FRSs *(cont'd)*

FRS 102, Share-based Payment

The main impact of *FRS 102* on the Group and the Company is the recognition of an expense and a corresponding entry to equity for share options granted to the directors and employees of the Group and the Company, and the recognition of an expense.

The Group and the Company have applied *FRS 102* retrospectively. Accordingly, as a result of the adoption of *FRS 102*, the Group's and the Company's revenue reserves as at 31 December 2004 decreased by $153,000. As part of the restatement, there was a corresponding increase in the Group's and the Company's share option reserves as at 31 December 2004 of $153,000.

The impact of the adoption of *FRS 102* on the net profit of the Group for the financial year ended 31 December 2005 was a charge of $101,000 (2004: $153,000), as well as a corresponding decrease in the basic and diluted earnings per share of 0.10 (2004: 0.15) cents.

(b) Adoption of revised FRSs

The Group and the Company adopted the following revised FRSs.

FRS 1 (revised), Presentation of Financial Statements

The revised *FRS 1* requires the revision in the presentation of the Group's profit and loss account to include the profit or loss for the financial year, and the allocation of this amount between that attributable to equity holders of the Company and that attributable to minority interests.

In addition, the presentation of the Group's statement of changes in equity is revised to show the movements of minority interests for the financial year.

Comparative figures for 2004 have been restated where required.

FRS 2 (revised)	*Inventories*
FRS 8 (revised)	*Accounting Policies, Changes in Accounting Estimates and Errors*
FRS 10 (revised)	*Events after the Balance Sheet Date*
FRS 16 (revised)	*Property, Plant and Equipment*
FRS 17 (revised)	*Leases*
FRS 21 (revised)	*The Effects of Changes in Foreign Exchange Rates*
FRS 24 (revised)	*Related Party Disclosures*
FRS 27 (revised)	*Consolidated and Separate Financial Statements*
FRS 28 (revised)	*Investments in Associates*
FRS 32 (revised)	*Financial Instruments: Disclosure and Presentation*
FRS 33 (revised)	*Earnings Per Share*

The adoption of the above revised standards has no financial impact on the financial statements of the Group and the Company for the financial year ended 31 December 2005.

2. **Significant accounting policies** *(cont'd)*

2.2 ***Changes in accounting policies*** *(cont'd)*

(c) ***FRSs and Interpretations of Financial Reporting Standards ("INT FRSs") that are not yet effective***

The Group and the Company have not applied the following FRSs and INT FRSs that have been issued:

(i)

Amendments to FRS 39	*Cash Flow Hedge Accounting for Forecast Intragroup Transactions*
FRS 40	*Investment Property*
INT FRS 105	*Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
INT FRS 106	*Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
INT FRS 107	*Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies*
FRS 106	*Exploration for and Evaluation of Mineral Resources*

The above standards do not apply to the activities of the Group and the Company.

(ii) *INT FRS 104* *Determining Whether an Arrangement Contains a Lease*

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The adoption of this interpretation is not expected to have a significant impact on the financial statements of the Group and the Company.

(iii) *FRS 107* *Financial Instruments: Disclosures*

This new standard deals with the revision and enhancement on the disclosures of an entity's exposure to risks and how those risks are managed. The adoption of this standard is not expected to have a significant impact on the financial statements of the Group and the Company for the financial year ended 31 December 2005.

The adoption of the pronouncements listed above is not expected to have a significant impact on the financial statements of the Group and the Company in the period of initial application.

2.3 ***Significant accounting estimates and judgements***

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. **Significant accounting policies** *(cont'd)*

2.3 ***Significant accounting estimates and judgements*** *(cont'd)*

(a) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit, and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill arising from consolidation as at 31 December 2005 was $1,689,000 (2004: $1,689,000). More details are given in Note 12 to the financial statements.

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's provision for taxation and deferred tax liability as at 31 December 2005 was $691,000 (2004: $382,000) and $182,000 (2004: $133,000) respectively.

(b) ***Critical judgements made in applying accounting policies***

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amount recognised in the financial statements.

Impairment of property, plant and equipment

The carrying values of property, plant and equipment are reviewed for impairment when there are indicators of impairment. As at 31 December 2005, there are no indications of impairment and the carrying amounts of the Group's and the Company's property, plant and equipment were $3,384,000 (2004: $2,350,000) and $129,000 (2004: $119,000) respectively.

Construction contracts

The Group recognises contract revenue to the extent of contract costs incurred where it is probable that those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to-date to the estimated total costs for the contract.

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the recoverable variation works that are recoverable from the customers. In making the judgement, the Group evaluates by relying on past experience and the work of specialists.

2. **Significant accounting policies** *(cont'd)*

2.4 ***Functional and foreign currency***

(a) Functional currency

Management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be S$. Sales prices and major costs of providing services, including major operating expenses, are primarily influenced by fluctuations in S$.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries, and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the consolidated profit and loss account except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in a separate component of equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated profit and loss account on disposal of the subsidiary. In the Company's separate financial statements, such exchange differences are recognised in the profit and loss account.

(c) Foreign currency translation

The results and financial position of foreign operations are translated into S$ using the following procedures:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate ruling at that balance sheet date; and
- Income and expenses for each profit and loss account are translated at average exchange rates for the financial year, which approximate the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

Goodwill and fair value adjustments, which arose on acquisitions of foreign subsidiaries before 1 January 2005, are deemed to be assets and liabilities of the parent company and are recorded in S$ at the exchange rates prevailing at the date of acquisition.

On disposal of a foreign operation, the cumulative amount of exchange differences deferred in equity relating to that foreign operation is recognised in the consolidated profit and loss account as a component of the gain or loss on disposal.

2. Significant accounting policies *(cont'd)*

2.5 *Principles of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill on consolidation. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2.8 to the financial statements.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the consolidated profit and loss account on the date of acquisition.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use, and includes the costs of dismantlement, removal or restoration, the obligation for which the Group and the Company incur as a consequence of installing the asset. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss arising from their disposal is included in the profit and loss account.

2. Significant accounting policies *(cont'd)*

2.7 *Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold building	-	2%
Machinery and exhibition equipment	-	15% - 36%
Office equipment and computers	-	15% - 20%
Motor vehicles, furniture and fittings, and renovations	-	15%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation methods are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year when the asset is derecognised.

2.8 *Goodwill on consolidation*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. Significant accounting policies *(cont'd)*

2.9 *Investments in subsidiaries*

A subsidiary is an entity in which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the Board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

2.10 *Investments in associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This generally coincides with the Group having 20% or more of the voting power, or has representation on the Board of directors.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the profit or loss of the associate is recognised in the consolidated profit and loss account. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recently available audited financial statements and unaudited management financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Consistent accounting policies are applied for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associates are accounted for at cost less any accumulated impairment losses.

2. Significant accounting policies *(cont'd)*

2.11 *Financial assets*

Financial assets within the scope of *FRS 39* are classified as either loans and receivables, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(a) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(b) Available-for-sale financial assets

Unquoted equity investments classified as available-for-sale financial assets are carried at cost less any accumulated impairment losses, as its fair value cannot be reliably measured.

2.12 *Impairment of assets*

(a) Impairment of financial assets

The Group and the Company assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

2. Significant accounting policies *(cont'd)*

2.12 *Impairment of assets* *(cont'd)*

(a) Impairment of financial assets *(cont'd)*

(ii) ***Assets carried at cost***

If there is objective evidence that an impairment loss on an unquoted equity investment that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(b) Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing is required, the Group and the Company make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. Significant accounting policies *(cont'd)*

2.13 *Derecognition of financial assets and liabilities*

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group and the Company retain the contractual rights to receive cash flows from the asset, but have assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group and the Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Where the Group and the Company have transferred their rights to receive cash flows from an asset and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's and the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed), and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2.14 *Inventories*

Inventories consist of materials for electrical wiring and installation. Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes the cost of purchases and all incidental costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Allowance is made for damaged, obsolete and slow-moving inventories.

2. Significant accounting policies *(cont'd)*

2.15 *Contracts work-in-progress*

Contracts work-in-progress is valued at cost plus attributable profits less progress billings and provision for foreseeable losses. Cost comprises direct materials and labour costs. Provision is made for all losses expected to arise on completion of contracts entered into at the balance sheet date.

2.16 *Trade and other receivables*

Trade and other receivables, including amounts due from subsidiaries, associates and related parties, are classified and accounted for as loans and receivables under *FRS 39*. The accounting policy for this category of financial assets is stated in Note 2.11 to the financial statements.

An allowance is made for uncollectible amounts when there is objective evidence that the Group and the Company will not be able to collect the debts. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.12 to the financial statements.

2.17 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank, and short-term fixed deposits. Cash on hand and at bank, and short-term fixed deposits carried in the balance sheets are classified and accounted for as loans and receivables under *FRS 39*.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents are shown as net of outstanding bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management.

2.18 *Trade and other payables*

Liabilities for trade and other payables, including amounts due to subsidiaries, associates and related parties, which generally are settled on 30 to 60 day terms, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated profit and loss account when the liabilities are derecognised as well as through the amortisation process.

2.19 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.20 *Interest-bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognised in the consolidated profit and loss account when the liabilities are derecognised, as well as through the amortisation process.

2. **Significant accounting policies** *(cont'd)*

2.21 ***Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(a) Contract revenue

When the contract outcome can be reliably measured :

Revenue is recognised by reference to the percentage of completion method. Percentage of completion is measured by reference to the percentage of costs incurred to-date to the total estimated costs for each contract. Changes in job performance, job conditions and estimated profitability, including those arising from final contract settlements, may result in revisions to revenue and costs, and are recognised in the period in which the revisions are determined.

Where the contract outcome cannot be reliably measured :

Revenue is recognised only to the extent of the expenses recognised, which are recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

(b) Sale of goods

Revenue is recognised upon the passing of title to the customer which generally coincides with delivery and acceptance of the goods sold.

(c) Subcontract income, rental of equipment, administrative income, corporate fee income and rental income

Revenue is recognised when the services are rendered.

(d) Interest income

Interest income is recognised as interest accrues (using the effective interest rate method) unless collectibility is in doubt.

2.22 ***Employee benefits***

(a) Defined contribution plans

As required by law, the Group makes contributions to the state pension schemes or equivalent, in accordance with local regulatory requirements. The contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

(b) Employee leave entitlement

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

2. Significant accounting policies *(cont'd)*

2.22 *Employee benefits* *(cont'd)*

(c) Employee share option plans

The Group has an employee share option plan for granting of non-transferable options. Expense on the share option plan is recognised in the consolidated profit and loss account based on the fair value of the options, over the vesting period of the options. The relevant date for determining the fair value of the options is the grant date of the options.

2.23 *Leases*

(a) As lessee

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the consolidated profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the consolidated profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income (Note 2.21 (c)).

2.24 *Income taxes*

(a) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. Significant accounting policies *(cont'd)*

2.24 *Income taxes* *(cont'd)*

(b) Deferred tax *(cont'd)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.25 *Borrowing costs*

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress, and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2. Significant accounting policies *(cont'd)*

2.26 *Related parties*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

2.27 *Segment reporting*

A segment is a distinguishable component of the Group that is engaged in providing services/products, or in providing such services/products within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing, if any, is determined on an arms' length basis.

3. Revenue

	Group	
	2005	2004
	$'000	$'000
Contract revenue	73,873	61,432
Sale of goods	1,677	701
Subcontract income	944	949
Rental of equipment	248	179
	76,742	63,261

4. Other income

Other income comprises:		
Administrative income	12	13
Corporate fee income	473	475
Rental income	351	306
Miscellaneous income	54	22
	890	816

5. Staff salaries and related expenses

	Group	
	2005	2004
	$'000	$'000 (As restated)
Salaries and employee benefits (including directors' remuneration) comprise:		
Salaries, wages and bonuses	10,720	8,980
Contribution to defined contribution plans	912	807
Share option plans (Note a)	101	153
Provision for unutilised leave	30	24
Other employee benefits	310	276
	12,073	10,240

(a) Share option plans

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the financial year:

	2005		2004	
	No.	WAEP (cents)	No.	WAEP (cents)
Outstanding at beginning of year	3,300,000	21.24	–	–
Forfeited during the year	(100,000)	21.00	–	–
Granted during the year	–	–	3,300,000	21.24
Outstanding at end of year	3,200,000	21.25	3,300,000	21.24
Exercisable at end of year	3,200,000	21.25	3,300,000	21.24

The vesting of granted options is conditional on the key management or employee holding employment with the Group. Once the options are vested, they are exercisable for a contractual option term of 4 years.

The fair value of share options as at the date of grant, is estimated by an external valuer using the average of the binomial and Black-Scholes models, taking into account the terms and conditions upon which the options were granted. The inputs to the models used for the financial years ended 31 December are shown below.

	2005	2004
Dividend yield (%)	3.43	3.43
Expected volatility (%)	65.00	65.00
Historical volatility (%)	65.00	65.00
Risk-free interest rate (%)	2.23	2.23
Expected life of options (years)	4	4
Weighted average share price (cents)	21.50	21.50
Weighted average remaining contractual life (years)	3.58	4.58

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The carrying amount recognised in the Group's and the Company's share option reserves relating to options granted under the Share Options Scheme as at 31 December 2005 is $254,000 (2004: $153,000). No options granted under this scheme had vested as at 31 December 2005 (2004: Nil).

6. Financial expenses

Financial expenses comprise:	Group 2005 $'000	Group 2004 $'000
Interest expense on:		
- finance lease obligations	17	2
- bank term loans	27	29
- bank overdrafts	8	37
- related parties	13	14
	65	82

7. Financial income

Financial income comprises:

Interest income on:		
- fixed deposits	(10)	(29)
- related parties	(2)	(5)
	(12)	(34)

8. Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	Group 2005 $'000	Group 2004 $'000 (As restated)
Directors' fees:		
- Directors of the Company	290	195
- Directors of the subsidiaries	105	53
Directors' remuneration (Note 34):		
- Directors of the Company	1,066	983
- Directors of the subsidiaries	1,885	1,494
Auditors' remuneration*:		
- Auditors of the Company	113	109
- Other auditors of the subsidiaries	19	17
Bad debts recovered (trade)	(22)	(78)
Bad debts written off (trade) (Note 18)	21	11
Allowance for doubtful debts (trade) (Note 18)	436	244
Write-back of allowance for doubtful debts (trade)	(2)	(16)
Property, plant and equipment written off	8	24
(Gain)/loss on disposal of property, plant and equipment	(55)	2
Operating lease expenses	1,192	1,056
Net foreign exchange (gain)/loss	(34)	130

** In 2005, there were no (2004: Nil) non-audit fees paid to auditors of the Company and its subsidiaries.*

9. Taxation

The charge for taxation is made up as follows:

	Group 2005	Group 2004
	$'000	$'000
Current taxation		
Current year	514	343
Overprovision in respect of previous years	(44)	(5)
	470	338
Deferred taxation (Note 26)	49	30
	519	368

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to the profit before taxation for the financial years ended 31 December was as follows:

	Group 2005	Group 2004
	%	%
Domestic statutory tax rate	20.0	20.0
Tax effect of temporary differences not recognised	–	0.1
Tax effect of expenses not deductible for tax purposes	3.4	1.2
Utilisation of tax losses and capital allowances brought forward	(0.3)	(1.1)
Tax effect of exempt income	(2.9)	(4.2)
Overprovision in respect of previous years	(2.4)	–
Differences in tax rates of overseas subsidiaries	(0.5)	(0.3)
Share of results of associates	(1.3)	2.4
Others	2.0	2.4
Effective tax rate	18.0	20.5

As at 31 December 2004, the Group had unutilised tax losses of $58,000 that were available for offset against future taxable income, for which no deferred tax asset was recognised due to uncertainty to its recoverability. During the financial year, the Group utilised the tax losses brought forward of $58,000 to set off the current year's profit.

The utilisation of tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

10. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company for the financial year of $2,192,000 (2004: $1,261,000) by the weighted average number of ordinary shares of 101,094,000 (2004: 100,234,000) of $0.075 each in issue during the financial year.

	Group	
	2005	**2004**
	'000	'000
Issued ordinary shares at beginning of financial year	101,094	100,000
Weighted average number of ordinary shares of $0.075 each issued during the financial year	–	234
Weighted average number of issued ordinary shares at end of financial year	101,094	100,234

Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the Company for the financial year of $2,192,000 (2004: $1,261,000) by the weighted average number of ordinary shares of 101,094,000 (2004: 100,234,000) of $0.075 each in issue during the financial year.

The weighted average number of ordinary shares is adjusted for the effect of all dilutive potential ordinary shares when computing the diluted earnings per share. The number of unissued shares under options granted under the Kingsmen Share Option Scheme are set out in Note 5 to the financial statements, and their exercise prices are set out in the Report of the Directors.

As the exercise prices of the options are higher than their market values during the financial year, there is no adjustment to the weighted average number of ordinary shares outstanding arising from dilutive ordinary shares.

11. Property, plant and equipment

Group	Leasehold building	Machinery and exhibition equipment	Office equipment and computers	Motor vehicles	Furniture and fittings	Renovations	Total
	$'000	$'000	$'000	$'000	$'000	$000	$'000
At cost							
At 1 January 2004	239	1,636	1,189	383	444	62	3,953
Reclassifications	–	13	(9)	–	(4)	–	–
Arising from acquisitions of subsidiaries	–	7	22	52	–	–	81
Additions	–	113	279	101	64	53	610
Disposals/written off	–	(1)	(21)	(3)	–	(18)	(43)
Translation differences	(9)	(1)	(13)	(9)	(11)	(1)	(44)
At 31 December 2004 and 1 January 2005	230	1,767	1,447	524	493	96	4,557
Additions	–	767	712	75	116	268	1,938
Disposals/written off	–	(348)	(117)	(204)	(47)	(6)	(722)
Translation differences	5	–	6	5	7	1	24
At 31 December 2005	235	2,186	2,048	400	569	359	5,797
Accumulated depreciation							
At 1 January 2004	46	605	662	203	166	19	1,701
Reclassifications	–	7	(8)	–	1	–	–
Charge for the financial year	2	242	186	56	42	16	544
Disposals/written off	–	(1)	(13)	(1)	–	(3)	(18)
Translation differences	(1)	(1)	(8)	(7)	(2)	(1)	(20)
At 31 December 2004 and 1 January 2005	47	852	819	251	207	31	2,207
Charge for the financial year	2	307	298	71	55	62	795
Disposals/written off	–	(308)	(100)	(164)	(19)	(6)	(597)
Translation differences	1	–	3	3	1	–	8
At 31 December 2005	50	851	1,020	161	244	87	2,413
Net book value							
At 31 December 2005	185	1,335	1,028	239	325	272	3,384
At 31 December 2004	183	915	628	273	286	65	2,350

11. Property, plant and equipment *(cont'd)*

During the financial year, the Group acquired plant and equipment with an aggregate fair value of $516,000 (2004: $120,000) by means of finance leases. The net book value of property, plant and equipment held under finance leases at the end of the financial year was $629,000 (2004: $123,000).

The leasehold building of the subsidiary in Malaysia, with a net book value of $185,000 (2004: $184,000) is pledged to banks as security for banking facilities granted (Note 25).

Company	Office equipment and computers	Motor vehicles	Total
	$'000	$'000	$'000
At cost			
At 1 January 2004	139	2	141
Additions	35	6	41
Disposals	–	(2)	(2)
At 31 December 2004 and 1 January 2005	174	6	180
Additions	54	–	54
At 31 December 2005	228	6	234
Accumulated depreciation			
At 1 January 2004	27	1	28
Charge for the financial year	33	1	34
Disposals	–	(1)	(1)
At 31 December 2004 and 1 January 2005	60	1	61
Charge for the financial year	43	1	44
At 31 December 2005	103	2	105
Net book value			
At 31 December 2005	125	4	129
At 31 December 2004	114	5	119

The carrying values of property, plant and equipment are reviewed for impairment when there are indicators of impairment. The assessment has led to management's conclusion that no impairment loss is required to be recognised.

12. Goodwill on consolidation

	Group 2005 $'000	Group 2004 $'000
Goodwill on consolidation	1,689	1,689

With effect from 1 January 2004, the Group had early adopted *FRS 103*, *Business Combinations*. With the adoption of *FRS 103*, goodwill was no longer amortised but was subject to annual impairment testing. Moreover, in accordance with *FRS 103*, the Group had accounted for goodwill on consolidation to be the excess of the cost of acquisition of a subsidiary in 2004 over the fair value of the Group's share of the identifiable net assets acquired.

Impairment testing of goodwill on consolidation

Goodwill on consolidation has been allocated to 2 individual cash-generating units, which are reportable segments, for impairment testing as follows:

- Exhibitions and museums segment; and
- Interiors segment.

Carrying amount of goodwill allocated to each of the Group's cash-generating units is as follows:

	Exhibitions and museums segment		Interiors segment		Total	
	2005	2004	2005	2004	2005	2004
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount of goodwill	1,410	1,410	279	279	1,689	1,689

Estimating the value-in-use requires the Group to make an estimate on the expected future cash flows from each cash-generating unit, based on the financial budgets approved by the management covering a 3-year period. The pre-tax discount rate applied to the cash flows projections was 5.5% (2004: 5.5%) per annum, being the cost of financing for the Group. The annual growth rate used for the 3-year period was an average of 3% (2004: 2%). The assessment had led to Management's conclusion that no impairment loss is required to be recognised.

13. Investments in subsidiaries

	Company 2005 $'000	Company 2004 $'000
Unquoted shares, at cost	7,994	7,677

13. Investments in subsidiaries *(cont'd)*

Details of subsidiaries are as follows:

Name of Company (Country of incorporation and business)	Principal activities	Percentage of equity held by the Company 2005 %	Percentage of equity held by the Company 2004 %	Cost of investment held by the Company 2005 $'000	Cost of investment held by the Company 2004 $'000
At cost					
Kingsmen Exhibits Pte Ltd * and its subsidiary (Singapore)	Advertising contractors and agents; design and production of exhibitions, decorations and museums	100	100	1,562	1,562
Kingsmen Projects Pte Ltd * (Singapore)	Design and production of architectural interiors, decorations and museums	100	100	2,121	2,121
Kingsmen Design Pte Ltd * (Singapore)	Design consultancy, and planning management	100	100	839	839
Kingsmen Ooh-media Pte Ltd ^ (Singapore)	Advertising services and consultancy event management and marketing communication	70	–	70	–
Hi-Light Electrical Pte Ltd * (Singapore)	Electrical engineering	80	80	301	301
I-Promo Events & Marketing Pte Ltd * (Singapore)	Interactive promotion services	70	70	171	171
Kingsmen Indochina Pte Ltd * and its subsidiary (Singapore)	Design and production of architectural interiors, decorations and museums	90	90	2,158	2,158
Kingsmen Sdn Bhd ** and its subsidiaries (Malaysia)	Design and production of interiors, exhibitions, decorations and museums	71	71	525	525
PT Kingsmen Indonesia @ (Indonesia)	Design and production of interiors, exhibitions, decorations and museums	100	–	247	–
				7,994	7,677

13. Investments in subsidiaries *(cont'd)*

Name of Company (Country of incorporation and business)	Principal activities	Percentage of equity held by the Group 2005 %	2004 %
At cost			
Subsidiary owned by Kingsmen Exhibits Pte Ltd			
Kingsmen Environmental Graphics Pte Ltd * (Singapore)	Graphic design and productions	80	80
Subsidiary owned by Kingsmen Indochina Pte Ltd			
Kingsmen Vietnam Co., Ltd *** (Vietnam)	Design and production of interiors, exhibitions, decorations and museums	100	100
Subsidiaries owned by Kingsmen Sdn Bhd			
Keb Designers & Producers Sdn Bhd ** (Malaysia)	Design and production of interiors, exhibitions, decorations and museums	100	100
Kingsmen-Keb Systems Sdn Bhd ** (Malaysia)	Design and production of interiors, exhibitions, decorations and museums	100	100
Kingsmen Environmental Graphics Sdn Bhd ** (Malaysia)	Design and production of interiors, exhibitions, decorations and museums	80	80

* Audited by Ernst & Young, Singapore.
** Audited by Ernst & Young, Malaysia.
*** Audited by Auditing and Consulting Joint Stock Company, Vietnam.
^ The subsidiary was incorporated on 10 October 2005 with an issued and paid-up share capital of S$2. Subsequent to year-end, the issued and paid-up share capital was increased to S$100,000. Unaudited management financial statements as at 31 December 2005 were used for consolidation as this subsidiary was incorporated just before the end of the financial year.
@ The subsidiary was incorporated on 23 May 2005 with an issued and paid-up share capital of Rp1,429,500,000 (S$247,000). The subsidiary was not required to be audited by law in its country of incorporation.

14. Investments in associates

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000 (As restated)	$'000	$'000
Unquoted shares, at cost	1,471	1,471	1,471	1,471
Share of post-acquisition reserves	395	211	–	–
Carrying amount of associates	1,866	1,682	1,471	1,471

Investments in associates include goodwill on acquisition as follows:

	Group	
	2005	2004
	$'000	$'000 (As restated)
Goodwill on acquisition	970	970

In 2004, goodwill on acquisition of associates was computed based on the excess of the cost of acquisition over the initial fair values of the Group's share of identifiable net assets acquired. Subsequent to the acquisition, in 2005, an associate adjusted the fair values of the identifiable net assets acquired by the Group, by finalising an additional allowance for doubtful debts of $141,000. This resulted in a corresponding increase in the goodwill on acquisition of associates of $141,000. The comparative figure for goodwill on acquisition for 2004 has been restated accordingly.

Details of associates are as follows:

Name of Company (Country of incorporation and business)	Principal activities	Percentage of equity held by the Group		Cost of investment	
		2005	2004	2005	2004
		%	%	$'000	$'000
At cost					
Ascend Computer Rental Pte Ltd # and its subsidiary (Singapore)	Renting and selling audio-visual, computer and peripheral equipment	40	40	367	367
Kingsmen Korea Limited ## (Korea)	Design and production of architectural interiors, decorations and museums	25	25	541	541
Kingsmen Nikko Limited ## (Japan)	Advertising contractors and agents; design and production of exhibitions, decorations and museums	30	30	563	563
				1,471	1,471

\# Audited by C Y Ng & Company, Singapore.
\## Not required to be audited by law in its country of incorporation.

14. Investments in associates *(cont'd)*

The summarised financial information of the associates are as follows:

	Group	
	2005	2004
	$'000	$'000 (As restated)
Assets and liabilities:		
Current assets	7,990	6,858
Non-current assets	2,711	1,910
Total assets	10,701	8,768
Current liabilities	6,993	5,886
Non-current liabilities	125	224
Total liabilities	7,118	6,110
Results:		
Revenue	29,344	22,317
Profit for the financial year	612	809

15. Other investments

	Group and Company	
	2005	2004
	$'000	$'000
Unquoted shares, at cost	534	481
Less: Allowance for impairment loss	(100)	(100)
Carrying amounts of other investments	434	381

At the end of the financial year, the Group and the Company assess the potential impairment in other investments by comparing the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return. No additional allowance for impairment on other investments is necessary based on this assessment.

16. Inventories

	Group	
	2005	2004
	$'000	$'000
Finished goods :		
At net realisable value	2	2
Finished goods are stated after deducting allowance for obsolescence of	32	32

17. Contracts work-in-progress/progress billings in excess of contracts work-in-progress

	Group	
	2005	2004
	$'000	$'000
Contracts work-in-progress in excess of progress billings :		
Contract costs incurred to-date	6,265	3,046
Attributable profits	377	260
Progress billings received and receivable	(4,650)	(2,550)
	1,992	756
Progress billings in excess of contracts work-in-progress :		
Contract costs incurred to-date	320	1,428
Attributable profits	33	133
Progress billings received and receivable	(503)	(2,482)
	(150)	(921)

18. Trade receivables

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
External parties	25,635	21,598	17	12
Related parties (1)	1,211	815	504	454
Associates (1)	621	339	306	156
Director of the Company (2)	–	83	–	–
Total trade receivables (3)	27,467	22,835	827	622
Less : Allowance for doubtful debts (4)	(1,281)	(934)	–	–
Carrying amounts of trade receivables	26,186	21,901	827	622
Bad debts written off to profit and loss account (Note 8)	21	11	–	–

(1) The amounts due from related parties and associates are trade in nature, unsecured, interest-free and repayable within normal trade terms. These amounts arose from normal trading activities of the Group.

(2) In 2004, trade receivables of the Group included an amount of $83,000, arising from sales to a director of the Company. This amount had been fully settled during the financial year.

(3) As at 31 December 2005, the following amounts are included in trade receivables of the Group:
a. $499,000 (2004: $1,107,000) of retention sums relating to construction contracts;
b. $2,612,000 (2004: $2,143,000) denominated in US dollars;
c. $3,937,000 (2004: $2,779,000) denominated in Malaysian Ringgit;
d. $321,000 (2004: Nil) denominated in Indonesian Rupiah; and
e. $850,000 (2004: $122,800) denominated in Vietnam Dong.

(4) For the financial year ended 31 December 2005, an allowance for doubtful debts and bad debts written off of $436,000 (2004: $244,000) and $21,000 (2004: $11,000) were recognised respectively in the consolidated profit and loss account, subsequent to a debt recovery assessment performed on the Group's trade receivables as at 31 December 2005.

19. Other receivables, deposits and prepayments

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Other receivables (1)	424	192	–	–
Staff advances (2)	144	114	13	18
Deposits	356	285	–	–
Prepayments	251	168	56	26
Tax recoverable	425	255	379	181
Dividends receivable	–	–	1,515	1,138
	1,600	1,014	1,963	1,363

(1) Included in other receivables of the Group are amounts due from related parties and associates of $375,000 (2004: $49,000) and $38,000 (2004: Nil) respectively. These amounts arose mainly from corporate fee income earned and are unsecured, interest-free and repayable on demand.

(2) Staff advances are unsecured, interest-free and repayable within the next 12 months.

20. Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured and bear interest at 5% (2004: 5%) per annum and repayable on demand. These balances relate to advances made to/received from subsidiaries for working capital purposes.

21. Fixed deposits

The fixed deposits bear an average effective interest rate of 3% (2004: 3%) per annum, and have maturity periods ranging from 1 week to 6 months (2004: 6 months to 1 year).

As at 31 December 2005, an amount of $143,000 (2004: $199,000), denominated in Malaysian Ringgit, is included in fixed deposits of the Group.

22. Trade payables

	Group 2005	Group 2004	Company 2005	Company 2004
External parties	15,945	12,205	86	116
Related parties (1)	1,383	668	223	288
Associates (1)	544	122	–	–
Total trade payables (2)	17,872	12,995	309	404

(1) The amounts due to related parties and associates are trade in nature, unsecured, interest-free and repayable within normal trade terms. These amounts arose from normal trading activities of the Group.

(2) As at 31 December 2005, the following amounts are included in trade payables for the Group:
   a. $981,000 (2004: $667,000) denominated in US dollars;
   b. $1,935,000 (2004: $1,175,000) denominated in Malaysian Ringgit;
   c. $465,000 (2004: Nil) denominated in Indonesian Rupiah; and
   d. $370,000 (2004: $563,000) denominated in Vietnam Dong.

23. Deferred income

This refers to advance billings to customers for projects to be commenced within the next 12 months.

24. Other payables and accruals

	Group		Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Accruals	5,918	3,427	120	307
Deposits received	47	20	–	–
Other payables	613	442	238	182
Provision for unutilised leave	274	244	21	19
	6,852	4,133	379	508

Included in other payables of the Group are an amount due to a director of the subsidiaries, amounts due to related parties and amounts due to associates of $108,000 (2004: $106,000), $56,000 (2004: $162,000), and $69,000 (2004: Nil) respectively.

Included in other payables of the Company are amounts due to related parties of $49,000 (2004: $157,000).

The amounts due to a director of the subsidiaries, related parties and associates are non-trade in nature, unsecured, interest-free and repayable on demand.

25. Interest-bearing loans and borrowings

	Group	
	2005	2004
	$'000	$'000
Current :		
Finance lease obligations (Note 31)	166	30
Bank overdrafts	131	61
Bank term loans	56	57
	353	148
Non-current:		
Finance lease obligations (Note 31)	381	90
Bank term loans	210	215
	591	305

Short-term bank overdrafts of the Group are secured by fixed deposits pledged to the banks, by personal guarantees given by certain directors of the Company and its subsidiaries, and by debenture deeds, which provide for first fixed and floating charges over the present and future undertakings and assets of certain subsidiaries. The weighted average interest rate for the bank overdrafts is 7.75% (2004: 8.05%) per annum.

25. Interest-bearing loans and borrowings *(cont'd)*

Bank term loans are secured by the following :

(a) A first legal mortgage on the leasehold building of a subsidiary in Malaysia (Note 11); and
(b) The joint and several personal guarantees of certain directors of the Company and its subsidiaries.

The bank term loans mature in 2009, and the effective interest rate for the bank term loans is 7.75% (2004: 8.9%) per annum.

26. Deferred taxation

	Group		Company	
	2005	**2004**	**2005**	**2004**
	$'000	$'000	$'000	$'000
As at 1 January	133	103	–	–
Provision during the financial year (Note 9)	49	30	9	–
As at 31 December	182	133	9	–

Deferred taxation as at 31 December relates to the following:

Deferred tax liabilities:				
Differences in depreciation	248	177	13	–
Others	1	1	–	–
Gross deferred tax liabilities	249	178	13	–
Deferred tax assets:				
Provision for unutilised leave	(66)	(44)	(4)	–
Others	(1)	(1)	–	–
Gross deferred tax assets	(67)	(45)	(4)	–
Net deferred tax liabilities	182	133	9	–

27. Share capital

	Group and Company	
	2005	2004
	$'000	$'000
Authorised share capital:		
266,666,667 ordinary shares of $0.075 each	20,000	20,000
Issued and fully paid-up share capital:		
As at 1 January		
101,093,690 (2004: 100,000,000) ordinary shares of $0.075	7,582	7,500
Issuance of 1,093,690 ordinary shares of $0.075 in exchange for issued share capital of a subsidiary	–	82
As at 31 December		
101,093,690 (2004: 101,093,690) ordinary shares of $0.075 each	7,582	7,582

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share.

There are outstanding options to subscribe to the Company's shares granted under the Kingsmen Share Option Scheme as disclosed in Note 5 to the financial statements.

28. Share premium

As at 1 January	3,400	3,252
Issuance of 1,093,690 ordinary shares of $0.075 each at a premium of $0.135 per share	–	148
As at 31 December	3,400	3,400

The share premium reserve pertains to the premium received by the Company on shares issued over its par value. The utilisation of the share premium reserve is governed by Sections 69 to 69F of the Singapore Companies Act.

29. Other reserves

(a) *Share option reserves*

Share option reserves represent the fair value of the options granted to an executive of the Company and 25 employees of the Group, including an employee who is an immediate family member of a certain director of the Company. The share option reserves are not available for distribution as dividends.

	Group		Company	
	2005	**2004**	**2005**	**2004**
	$'000	$'000 (As restated)	$'000	$'000 (As restated)
As at 1 January, as previously reported	–	–	–	–
Cumulative effects of adopting *FRS 102* (Note 2.2 (a))	153	–	153	–
As at 1 January, as restated	153	–	153	–
Fair value of share options granted	101	153	101	153
As at 31 December, as restated	254	153	254	153

(b) *Foreign currency translation reserves*

Foreign currency translation reserves relate to exchange differences arising from the translation of the financial statements of foreign operations, whose functional currencies are different from that of the Group's presentation currency.

	Group 2005	Group 2004	Company 2005	Company 2004
As at 1 January	(66)	(9)	–	–
Net effect of exchange differences	15	(57)	–	–
As at 31 December	(51)	(66)	–	–
Total other reserves	203	87	254	153

30. Dividends paid

	Group and Company	
	2005	**2004**
	$'000	$'000
Final dividends of 0.70 (2004: 0.75) cents paid in respect of the previous financial year	708	750

The directors propose that a final dividend of 1.00 (2004: 0.70) cents per ordinary shares, one-tier tax-exempt, amounting to $1,011,000 (2004: $708,000) be paid in respect of the financial year ended 31 December 2005, subject to approval by Shareholders at the Annual General Meeting of the Company on 24 April 2006. This dividend has not been accrued for in the financial statements in accordance with Singapore Financial Reporting Standards.

31. Finance lease obligations

The future minimum lease payments under finance lease obligations, together with the present value of the net minimum lease payments are as follows :

	Group			
	2005		2004	
	Minimum payment	Present value of payment	Minimum payment	Present value of payment
	$'000	$'000	$'000	$'000
Payable within one year	194	166	37	30
Payable within two to five years	414	375	95	77
Payable after five years	7	6	16	13
Total minimum lease payments	615	547	148	120
Less: Amounts representing finance charges	(68)	–	(28)	–
Present values of minimum lease payments	547	547	120	120

Finance lease liabilities of the Group are secured by the rights to the leased motor vehicles and machinery (Note 11). The lease terms of such finance lease obligations range from 1 to 7 (2004: 3 to 7) years. The average effective interest rate implicit in the finance leases is 9.49% (2004: 5.11%) per annum.

32. Operating lease commitments

The Group has entered into a lease agreement for office premises with a related party. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing.

Future minimum lease payments under non-cancellable operating leases are as follows as of 31 December:

	Group	
	2005	2004
	$'000	$'000
Within one year	1,271	–
Within two to five years	29	–

33. Performance guarantees

Performance guarantees given to customers secured by the joint and several guarantees of certain directors of the Group	942	926

34. Related party transactions

The Group have the following significant related party transactions, which took place on terms agreed between the parties for the financial years ended 31 December:

	Group	
	2005	2004
	$'000	$'000 (As restated)
Associates :		
Sales	(334)	(345)
Purchases	2,363	859
Corporate fee income	(175)	(190)
Purchase of property, plant and equipment	6	–
Director of the Company :		
Sales	(10)	(79)
Related parties :		
Sales	(781)	(425)
Purchases	1,492	643
Corporate fee income	(297)	(285)
Rental expense – office premises	1,192	1,056
Rental expense – others	–	177
Interest income	(2)	(3)
Interest expense	13	13
Administrative income	(12)	(12)
Compensation of key management personnel* :		
Short-term employee benefits	2,888	2,384
Share options granted	63	93
Total compensation paid to key management personnel	2,951	2,477
** Comprises amounts paid to :*		
Directors of the Company (Note 8) (1)	1,066	983
Other key management personnel (Note 8) (2)	1,885	1,494
	2,951	2,477

(1) As at 31 December 2005, included in compensation paid to directors of the Company is an amount of $6,000 (2004: $9,000), which relates to fair valuation of 200,000 (2004: 200,000) share options granted to a director of the Company under the Kingsmen Share Option Scheme at a price of $0.21 (2004: $0.21) each, exercisable between 31 May 2005 and 31 May 2009.

(2) As at 31 December 2005, included in compensation paid to other key management personnel is an amount of $6,000 (2004: $10,000), which relates to fair valuation of 200,000 (2004: 200,000) share options granted to a director of a subsidiary under the Kingsmen Share Option Scheme at a price of $0.25 (2004: $0.25) each, exercisable between 31 May 2005 and 31 May 2009.

The remuneration of key management personnel are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

35. Segment information

The Group's primary format for reporting segment information is business segments, with each segment representing a strategic business segment that offers different products/services.

Segment accounting policies are the same as the policies described in Note 2 to the financial statements. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Business segments

Exhibitions and Museums

This segment relates to the production of exhibition displays for trade shows and promotional events, as well as the production of interiors and displays for museums and visitor centers.

Interiors

This relates to the provision of interior fitting-out services to commercial and retail properties.

Research and Design

This relates to design works for upmarket specialty stores, departmental stores, eateries, museums, visitors' centers, corporate offices, showrooms, trade shows, events, promotional functions and festivals.

Integrated Marketing Communication

This segment relates to event management and branding consultancy services.

Corporate and others

This relates to general corporate income and expense items.

Segment assets

Segment assets relate to property, plant and equipment, trade receivables, inventories and contracts work-in-progress.

Segment liabilities

Segment liabilities relate to trade payables, deferred income and progress billings in excess of contracts work-in-progress.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

35. Segment information *(cont'd)*

Business segments 2005	Exhibitions and museums	Interiors	Research and design	Integrated marketing communication	Corporate and others	Elimination	Consolidation
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue							
Sales to external customers	30,362	41,603	2,467	2,310	–	–	76,742
Inter-segment sales	1,527	3,293	–	–	–	(4,820)	–
Total	31,889	44,896	2,467	2,310	–	(4,820)	76,742
Segment results	1,622	1,440	114	72	(496)	–	2,752
Financial expenses							(65)
Financial income							12
Share of results of associates							184
Profit before taxation							2,883
Taxation							(519)
Profit for the financial year							2,364
Attributable to:							
Equity holders of the parent							2,192
Minority interests							172
							2,364
Segment assets	11,158	18,746	503	484	673	–	31,564
Unallocated assets							12,492
Total assets							44,056
Segment liabilities	8,017	11,203	76	244	309	–	19,849
Unallocated liabilities							8,669
Total liabilities							28,518
Other segment information:							
Capital expenditure	771	966	106	40	55	–	1,938
Depreciation of property, plant and equipment	488	168	74	21	44	–	795
Property, plant and equipment written off	2	2	4	–	–	–	8
Bad debts recovered (trade)	(22)	–	–	–	–	–	(22)
Bad debts written off (trade)	3	–	3	15	–	–	21
Allowance for doubtful debts (trade)	359	77	–	–	–	–	436
Gain on disposal of property, plant and equipment	(30)	(25)	–	–	–	–	(55)
Write-back of allowance for doubtful debts (trade)	(2)	–	–	–	–	–	(2)

35. Segment information *(cont'd)*

Business segments 2004 (As restated)	Exhibitions and museums	Interiors	Research and design	Integrated marketing communication	Corporate and others	Elimination	Consolidation
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue							
Sales to external customers	30,328	28,687	1,988	2,258	–	–	63,261
Inter-segment sales	1,435	1,628	48	17	–	(3,128)	–
Total	31,763	30,315	2,036	2,275	–	(3,128)	63,261
Segment results	1,379	745	18	203	(713)	–	1,632
Finance expenses							(82)
Financial income							34
Share of results of associates							211
Profit before taxation							1,795
Taxation							(368)
Profit for the financial year							1,427
Attributable to:							
Equity holders of the parent							1,261
Minority interests							166
							1,427
Segment assets	9,380	13,643	581	664	741	–	25,009
Unallocated assets							8,126
Total assets							33,135
Segment liabilities	5,431	8,067	41	298	404	–	14,241
Unallocated liabilities							5,101
Total liabilities							19,342
Other segment information:							
Capital expenditure	283	236	49	1	41	–	610
Depreciation of property, plant and equipment	362	81	49	18	34	–	544
Property, plant and equipment written off	10	12	–	2	–	–	24
Bad debts recovered (trade)	(78)	–	–	–	–	–	(78)
Bad debts written off (trade)	6	1	2	2	–	–	11
Allowance for doubtful debts (trade)	170	72	–	2	–	–	244
Loss on disposal of property, plant and equipment	–	–	1	–	1	–	2
Write-back of allowance for doubtful debts (trade)	(14)	(2)	–	–	–	–	(16)

35. Segment information *(cont'd)*

Geographical segments

Sales by geographical segments is based on the location of customers, except for site orders of booth accessories placed by customers for official trade shows, which are based on location of the shows. Assets and additions to property, plant and equipment are based on the location in which the assets are recognised.

	Group	
	2005	2004
	$'000	$'000
Sales by geographical segments are as follows:		
Singapore	40,198	40,143
Malaysia	9,582	5,188
Vietnam	5,636	5,410
Asia	7,997	4,731
Europe	5,211	3,717
United States	7,990	4,000
Others	128	72
	76,742	63,261
Carrying amounts of segment assets by geographical segments are as follows:		
Singapore	33,191	27,335
Malaysia	7,563	4,085
Indonesia	1,350	–
Vietnam	1,671	1,715
	43,775	33,135
Additions to property, plant and equipment by geographical segments are as follows:		
Singapore	1,483	385
Malaysia	163	207
Indonesia	219	–
Vietnam	74	18
	1,939	610

36. Financial risk management objectives and policies

Exposures to credit risk, foreign currency risk, interest rate risk and liquidity risk arise in the normal course of the Group's operations. The Group's overall strategies, tolerance of risks and general risk management philosophy are determined by the Board in accordance with prevailing economic and operating conditions.

The Group's principal financial instruments comprise interest-bearing loans and borrowings, fixed deposits, and cash on hand and at bank. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has other financial assets and liabilities such as trade and other receivables, and trade and other payables, which arise directly from its operations.

Credit risk

The carrying amounts of trade and other receivables, and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. Cash and cash equivalents are placed with reputable and well-established banks. To mitigate credit concentration, counter-party limit for each bank has been established and monitored periodically.

It is the Group's policy to transact with credit worthy counterparties. The Board has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group has no significant concentration of credit risk with any single customer.

Foreign currency risk

The Group has foreign currency exposures, which arise mainly from sales or purchases by its operating units in currencies other than the unit's functional currency. Approximately 20% of the Group's sales are denominated in currencies other than the functional currency of the operating units making the sale, whilst almost 95% of costs are denominated in the unit's functional currency.

The Group monitors its currency exposure on a regular basis. At any time when the Board anticipates net receipts in foreign currencies in excess of approximately S$100,000 (or US$60,000 equivalent) it would enter into forward contracts to hedge against the foreign currency exposure.

As at 31 December 2005, the Group does not have any outstanding forward contracts.

Interest rate risk

The Group's exposure to interest rate risk relate primarily to its placements in fixed deposits, bank term loans and borrowings.

The Group obtains additional financing through loans and borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure. Information relating to the Group's interest rate exposure is disclosed in Notes 21, 25 and 31 to the financial statements.

36. Financial risk management objectives and policies *(cont'd)*

Liquidity risk

Liquidity risk arises from the possibility that customers may not be able to settle obligations to the Group within the normal terms of trade. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

Short-term funding is obtained from bank term loans and borrowings. The Group manages this risk by monitoring working capital projections, taking into account the available banking facilities of the Group and ensuring that the Group has adequate working capital to meet current requirements.

37. Fair values of financial instruments

The following methods and assumptions are used to estimate the fair values of each class of financial instruments: -

(i) *Cash and bank balances, fixed deposits, bank overdrafts, other receivables, other payables and amounts due from/(to) subsidiaries (non-trade)*

The carrying amounts of these amounts approximate their fair values due to their short-term nature.

(ii) *Trade receivables and trade payables*

The carrying amounts of these amounts approximate their fair values because these are subject to normal trade credit terms.

(iii) *Unquoted equities (long-term)*

In the directors' opinion, the fair values of the unquoted equity shares held for long-term purposes cannot be measured reliably. These long-term investments are carried at cost less allowance for impairment loss. The expected cash flows from these investments are believed to be in excess of their carrying amounts at year-end.

(iv) *Interest-bearing loans and borrowings*

Set out below is a comparison by category of carrying amounts and fair values of the Group's interest-bearing loans and borrowings that are carried in the financial statements at other than fair values as at 31 December:

		Group			
		Carrying amount		Fair value	
	Note	2005	2004	2005	2004
		$'000	$'000	$'000	$'000
Financial liabilities					
Bank term loans	25	266	272	227	233
Finance lease obligations	31	547	120	555	78

38. Directors' remuneration

Number of directors of the Group in remuneration bands is as follows:

	Group	
	2005	2004
$500,000 and above	2	–
$250,000 to $499,999	–	2
Below $250,000	1	1
	3	3

39. Group's major leasehold properties

Location	Tenure	Owned by	Description/Usage
No.2 Jalan TSB 4 Taman Industri Sg. Buloh, 47000 Sg. Buloh, Selangor, Malaysia	99 years leasehold expiring on 24 March 2091	Kingsmen-Keb Systems Sdn Bhd	Office and warehouse

40. Approval of financial statements

The financial statements of the Group and of the Company for the financial year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 17 March 2006.

Statistics of Shareholdings

As at 13 March 2006

Authorised Share Capital	:	S$20,00,000
Issued and Fully Paid-Up Capital	:	S$7,582,026.75
Number of Shares	:	101,093,690
Class of Shares	:	Ordinary Share of S$0.075 each
Voting Rights	:	One Vote Per Share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	-	-	-	-
1,000 - 10,000	357	51.22	1,927,000	1.91
10,001 - 1,000,000	327	46.92	19,058,894	18.85
1,000,001 and above	13	1.86	80,107,796	79.24
Total	**697**	**100.00**	**101,093,690**	**100.00**

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Islanda Pte. Ltd.	25,328,707	25.05
2	O-Vest Pte. Ltd.	25,328,707	25.05
3	Soh Siak Poh Benedict	5,056,293	5.00
4	Ong Chin Sim Simon	5,056,280	5.00
5	Chong Siew Ling	3,123,174	3.09
6	Alex Wee Huat Seng	2,827,733	2.80
7	Yee Chee Kong	2,827,733	2.80
8	Ong Chin Kwan	2,407,947	2.38
9	Chong Fook Seng Patrick	2,276,000	2.25
10	Ng Hung Chiao Michael	2,151,173	2.13
11	Cheong Chai Keng	1,528,359	1.51
12	Lim Hock Chye Stephen	1,123,690	1.11
13	Yap Teck Huat	1,072,000	1.06
14	Tay Kay Sock Gerald	950,413	0.94
15	Phillip Securities Pte Ltd	836,000	0.83
16	Kim Eng Securities Pte. Ltd.	734,000	0.73
17	Goh Ting Meng	667,760	0.66
18	OCBC Securities Private Ltd	623,000	0.62
19	DBS Nominees Pte Ltd	435,000	0.43
20	Lim & Tan Securities Pte Ltd	423,000	0.42
	Total	**84,776,969**	**83.86**

Statistics of Shareholdings (Cont'd)
As at 13 March 2006

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders as at 13 March 2006)

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Benedict Soh Siak Poh	5,056,293	5.00	25,428,707	25.15
Png Geok Choo Rose	100,000	0.10	25,328,707	25.05
Soh E-Ling Marianne	-	-	25,328,707	25.15
Simon Ong Chin Sim	5,056,280	5.00	25,328,707	25.15
Vera Ong Lim Guek Noi	-	-	25,328,707	25.15
Ong Ai Lin Tabitha	-	-	25,328,707	25.15
Islanda Pte Ltd	25,328,707	25.05	-	-
O-Vest Pte Ltd	25,328,707	25.05	-	-

Notes:

1. Mr Benedict Soh Siak Poh's deemed interests include 100,000 shares held by Mdm Png Geok Choo Rose (wife) and 25,328,707 shares held by Islanda Pte Ltd by virtue of Sections 164(15) and 7 of the Companies Act, Cap. 50 respectively.

2. Mdm Png Geok Choo Rose's deemed interests refer to 25,328,707 shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

3. Ms Soh E-Ling Marianne's deemed interests refer to 25,328,707 shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

4. Mr Simon Ong Chin Sim's deemed interests refer to 25,328,707 shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

5. Mdm Vera Ong Lim Geok Noi's deemed interests refer to 25,328,707 shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

6. Ms Ong Ai Lin Tabitha's deemed interests refer to 25,328,707 shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

Shareholding in the Hands of Public

20.7% of the Company's shares are held in the hands of public. Accordingly, the company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of KINGSMEN CREATIVES LTD. will be held at 3 Changi South Lane Singapore 486118 on Monday, 24 April 2006 at 11.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS:-

1. To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2005 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 1 cent per ordinary share for the year ended 31 December 2005. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 107 of the Company's Articles of Association:-

   Mr Benedict Soh Siak Poh **(Resolution 3)**
   Mr Khoo Ho Tong **(Resolution 4)**

   Mr Khoo Ho Tong will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To approve the payment of Directors' fees of S$165,000.00 for the year ended 31 December 2005. **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass the following Ordinary Resolutions:-

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and issue Shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of Shares and convertible securities issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company, of which the aggregate number of Shares and convertible securities issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20% of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or on the date by which the next AGM is required by law to be held, whichever is earlier. [see Explanatory Note (i)] **(Resolution 7)**

8. **Authority to allot and issue shares under the Kingsmen Share Option Scheme**

   That the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Kingsmen Share Option Scheme ("the Scheme") upon the exercise of such options and in accordance with the terms and conditions of the Scheme established by the Company. [see Explanatory Note (ii)] **(Resolution 8)**

9. **Renewal of Shareholders' Mandate for Interested Person Transactions**

   That :-
   (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST ("Chapter 9"), for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the letter to shareholders dated 4 April 2006 as annexed to this Annual Report of the Company (the "Letter") with any party who is of the class of interested persons described in the Letter, provided that such transactions are made on normal commercial terms and in accordance with the guidelines and review procedures for such interested person transactions;

(b) the approval given in paragraph (a) above ("the Shareholders' Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution."
[see Explanatory Note (iii)] **(Resolution 9)**

BY ORDER OF THE BOARD

JUDITH LOW CHU LI
LEONG KIM YAN DAPHNE
Company Secretaries
Singapore
4 April 2006

EXPLANATORY NOTES:

(i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to allot and issue shares and convertible securities in the Company up to an amount not exceeding in total fifty per cent (50%) of the issued share capital of the Company for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed twenty per cent (20%) of the issued capital of the Company. The percentage of issued capital is based on the Company's issued capital at the time the proposed Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion of convertible securities or employee share options on issue at the time the proposed Ordinary Resolution is passed and (b) any subsequent consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a General Meeting, expire at the next Annual General Meeting of the Company.

(ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares in the Company subject to the maximum number of shares prescribed under the terms and conditions of the Scheme.

(iii) The Ordinary Resolution 9 proposed in item 9 above relates to the renewal of a mandate given by shareholders to the Company on 11 August 2003, and modified and renewed by the Company on 26 April 2004, allowing the Company, its subsidiaries and associated companies that are entities at risk (as the term is used in Chapter 9), or any of them, to enter into transactions with interested persons as defined in Chapter 9. Please refer to the letter to shareholders dated 4 April 2006 as annexed to this Annual Report of the Company for details.

NOTES:

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of its attorney or a duly authorised officer.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 3 Changi South Lane Singapore 486118 not less than 48 hours before the time appointed for holding the above Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Kingsmen Creatives Ltd. (the "Company") will be closed on 3 May 2006 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Lim Associates (Pte) Ltd at 10 Collyer Quay #19-08 Ocean Building, Singapore 049315 up to 5.00 p.m. on 2 May 2006 will be registered to determine shareholders' entitlements to such dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 2 May 2006 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held on 24 April 2006, will be made on 15 May 2006.

BY ORDER OF THE BOARD

JUDITH LOW CHU LI
LEONG KIM YAN DAPHNE
Company Secretaries
Singapore
4 April 2006

Directors:
Soh Siak Poh Benedict
Simon Ong Chin Sim
Chong Siew Ling
Khoo Ho Tong
Prabhakaran Narayanan Nair
Lee Hock Lye

Registered Office:
3 Changi South Lane
Singapore 486118

4 April 2006

To: The Shareholders of Kingsmen Creatives Ltd.

Dear Sir/Madam

RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS ("THE IPT MANDATE")

1. BACKGROUND

We refer to (a) the Notice of Annual General Meeting of Kingsmen Creatives Ltd. ("the Company") dated 4 April 2006 ("the Notice") accompanying the Annual Report of the Company for the financial year ended 31 December 2005 ("the 2005 Annual Report"), convening the Annual General Meeting ("the 2005 AGM") of the Company which is scheduled to be held on 24 April 2006, and (b) Ordinary Resolution 9 in relation to the renewal of the IPT Mandate under the heading "Special Business" set out in the Notice.

2. THE IPT MANDATE

2.1 **The Existing IPT Mandate.** As disclosed in the prospectus of the Company dated 9 September 2003, ("the Prospectus"), the Company had obtained shareholders' approval for the IPT Mandate pursuant to Chapter 9 of the listing manual ("the Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Details of the IPT Mandate were set out on pages 126 to 130 of the Prospectus. The IPT Mandate was subsequently modified and renewed by the Company at the Extraordinary General Meeting held on 26 April 2004 (the "2004 EGM") to (i) describe in greater detail and clarify the guidelines and review procedures for Interested Person Transactions; and (ii) benefit the Group in expediting the approval process for certain interested person transactions relating to sub-contract work of a value of between $100,000 to $249,999.

The IPT Mandate enables the Company, its subsidiaries and associated companies which are considered to be "entities at risk" within the meaning of Rule 904 of the Listing Manual, in the ordinary course of businesses, to enter into categories of transactions with specified classes of the Company's interested persons, provided that such transactions are entered into on an arm's length basis and on normal commercial terms.

2.2 **Proposed Renewal of the IPT Mandate.** The IPT Mandate was expressed to take effect until the conclusion of the next Annual General Meeting of the Company, being the 2005 AGM. Accordingly, the directors ("the Directors") of the Company as at the date of this Letter propose that the IPT Mandate be renewed at the 2006 AGM, to take effect until the conclusion of the next Annual General Meeting of the Company.

2.3 **Details of the IPT Mandate.** Details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter.

Renewal of the Shareholders' Mandate for Interested Person Transactions ("The IPT Mandate")

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND THEIR ASSOCIATES

The interests of the Directors and substantial shareholders and their associates in the capital of the Company as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%(1)	No. of Shares	%(1)
Directors				
Benedict Soh (1)	5,056,293	5.00	25,428,707	25.15
Simon Ong (2)	5,056,280	5.00	25,328,707	25.05
Anthony Chong	3,123,174	3.09	–	–
Khoo Ho Tong	50,000	0.05	–	–
Prabhakaran Narayanan Nair	100,000	0.10	–	–
Lee Hock Lye	–	–	–	–
Substantial Shareholders				
Islanda Pte Ltd (1)	25,328,707	25.05	–	–
O-Vest Pte Ltd (2)	25,328,707	25.05	–	–
Associates of the Directors or Controlling Shareholder				
Ong Chin Kwan	2,407,947	2.38	–	–
Png Geok Choo Rose (3)	100,000	0.10	25,328,707	25.05

Notes:

(1) Mr Benedict Soh is deemed to be interested in the shares held by (i) Islanda Pte Ltd as he holds 50% of its equity; and (ii) his wife,Ms Png Geok Choo Rose.

(2) Mr Simon Ong is deemed to be interested in the shares held by O-Vest Pte Ltd as he holds 50% of its equity (of which 25% is held on trust for his daughter, Ms Ong Mei Lin, Elita).

(3) Mdm Png Geok Choo Rose is deemed to be interested in the shares held by Islanda Pte Ltd as she holds 25% of its equity.

4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee (currently comprising Mr Lee Hock Lye, Mr Prabhakaran Narayanan Nair and Mr Khoo Ho Tong) has reviewed the terms of the IPT Mandate and is satisfied that the review procedures for IPTs, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that IPTs will be made with the relevant class of Interested Persons on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee confirms that the methods and procedures for determining the transaction prices have not changed since the last shareholders approval i.e. the 2005 AGM.

If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the IPTs will be on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek our Shareholders' approval for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.

The Audit Committee will also ensure that all disclosure and approval requirements for IPTs, including those required by the prevailing legislation, the Listing Manual and the applicable accounting standards, as the case may be, are complied with.

5. DIRECTORS' RECOMMENDATION

Mr Benedict Soh and Mr Simon Ong have direct and indirect interests in the issued share capital of the Kingsmen Affiliates. Mr Khoo Ho Tong was the auditor for Kingsmen Indochina Pte Ltd, a subsidiary of the Company, from 5 May 1994 to 12 Oct 2004. In view of the foregoing, the Directors who are considered independent for the purpose of Ordinary Resolution 9 are Messrs. Prabhakaran Narayanan Nair and Lee Hock Lye. Having considered, inter alia, the details of the IPT Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and the statement of the Audit Committee, they are of the view that the IPT Mandate, as proposed to be renewed, is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of Ordinary Resolution 9 at the 2006 AGM.

6. ABSTENTION FROM VOTING

Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions. Accordingly, each of Mr Benedict Soh and Mr Simon Ong will abstain, and has undertaken to ensure that their respective Associates will abstain, from voting at the 2005 AGM in respect of the Shares held by them respectively in respect of Ordinary Resolution 9.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept responsibility for the accuracy of the information given and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinions expressed in this Letter are fair and accurate and that there are no material facts the omission of which would make any statement in this Letter misleading.

Yours faithfully
For and on behalf of the Directors

SOH SIAK POH BENEDICT
Group Managing Director
Kingsmen Creatives Ltd.

APPENDIX

THE IPT MANDATE

1. CHAPTER 9 OF THE LISTING MANUAL

1.1 Chapter 9 applies to transactions entered into between a listed company or any of its subsidiaries (other than a subsidiary that is listed on the SGX-ST or an approved stock exchange (as defined below)) or associated companies (other than an associated company that is listed on the SGX-ST or an approved stock exchange or over which the listed group, or the listed group and its interested person(s) (as defined below), has no control) with a party who is an interested person of the listed company (the "Interested Person Transactions") or individually, the "Interested Person Transaction").

1.2 Under the Listing Manual:

"approved stock exchange" : means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9;

"associate" : (a) in relation to any director, chief executive officer, substantial Shareholder or controlling shareholder (being an individual) means:-

(i) his immediate family;

(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;

(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;

"associated company" : means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;

"chief executive officer" : means the most senior executive officer who is responsible under the immediate authority of the board of directors for the conduct of the business of the issuer;

"control" : means the capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating practice of a company;

"controlling shareholder" : means a person who:

(a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the listed company (unless otherwise excepted by SGX-ST); or

(b) in fact exercises control over a company;

"interested person" : means a director, chief executive officer or controlling shareholder of the listed company, or any associate of such director, chief executive officer or controlling shareholder.

1.3 Save for certain Interested Person Transactions, which are excluded under Chapter 9, an immediate announcement and/or shareholders' approval would be required in respect of transactions with interested persons if the value of the Interested Person Transaction is equal to or exceeds certain financial thresholds.

An immediate announcement is required where:

(a) the value of a proposed Interested Person Transaction is equal to, or more than, 3% of the listed group's latest audited consolidated net tangible assets ("NTA"); or

(b) the aggregate value of all Interested Person Transactions entered into with the same interested person during the same financial year, is equal to, or more than, 3% of the listed group's latest audited consolidated NTA. An announcement will have to be made immediately of the latest transaction and all future transactions entered into with that same interested person during the financial year.

Shareholders' approval (in addition to an immediate announcement) is required where:

(a) the value of a proposed Interested Person Transaction is equal to, or more than, 5% of the listed group's latest audited consolidated NTA; or

(b) the value of a proposed Interested Person Transaction, when aggregated with other Interested Person Transactions entered into with the same interested person during the same financial year, is equal to, or more than, 5% of the listed group's latest audited consolidated NTA. The aggregation will exclude any Interested Person Transaction that has been approved by shareholders previously, or is the subject of aggregation with another Interested Person Transaction that has been previously approved by shareholders.

For the purposes of aggregation, Interested Person Transactions below $100,000 each are to be excluded.

1.4 Part VIII of Chapter 9 permits a listed company to seek a mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials, but not in respect of the purchase or sale of assets, undertakings or business.

2. RATIONALE AND BENEFITS OF THE IPT MANDATE

2.1 All Kingsmen Affiliates engage in the similar business of designing and producing exhibits and interiors as the Group ("the Business"). Together with the Kingsmen Affiliates, the Group has formed a strategic network of offices in 16 major cities across the Asia Pacific and Middle East regions serving clients under the same "Kingsmen" brand while offering specific local knowledge and insights for each market.

2.2 The rationale for allowing the Group and the Kingsmen Affiliates to provide sub-contracting services relating to the Business to each other is two-fold. First, it allows the Group to maintain and foster relationships with its customers in the territories that it operates in. Second, although the income historically from such work has generally not been large, the Group believes that any income accruing to the Group will be beneficial.

2.3 The rationale for allowing the Company to provide corporate services to the Kingsmen Affiliates is as follows:-

(a) the Group will be able to benefit from the additional income;

(b) in providing assistance to the Kingsmen Affiliates, the Group will continue to enjoy intangible benefits of greater exposure of the "Kingsmen" name in territories that it does not operate in, thereby improving its branding profile; and

(c) the Group will be able to secure more business from customers who require a single point of contact for projects involving numerous countries in the Asia Pacific region.

In addition, having access to the Kingsmen Affiliates through the provision of corporate services will facilitate the Group's monitoring of whether the Kingsmen Affiliates are in compliance with their various undertakings in relation to the Business.

2.4 The IPT Mandate is intended to facilitate transactions in the normal course of business of the Group which are transacted from time to time with interested persons, provided that they are carried out on normal commercial terms and are not prejudicial to Shareholders.

3. CATEGORIES OF INTERESTED PERSONS

The Controlling Shareholders and Executive Directors, Mr Benedict Soh and Mr Simon Ong, are directors and shareholders of the entire issued and paid-up share capital of Kingsmen International Pte Ltd ("Kingsmen International"), each holding 50.0% of its equity interest. Ms Vera Ong Lim Guek Noi, the wife of Mr Simon Ong, and Ms Png Geok Choo Rose, the wife of Mr Benedict Soh, are also directors of Kingsmen International.

Kingsmen International is an investment holding company incorporated in Singapore with an issued and paid-up share capital of $3,600,000, and has equity interest in several Kingsmen Affiliates set out below. Accordingly, Kingsmen Affiliates are interested persons under Chapter 9 of the Listing Manual.

The details of the Kingsmen Affiliates, their respective operating territories and the equity held by, inter alia, Kingsmen International, Mr Benedict Soh and Mr Simon Ong are as follows:

Name of Kingsmen Affiliate	Operating territory	Equity Interest
Kingsmen (North Asia) Limited ("Kingsmen North Asia")	Hong Kong	50.5% held by Kingsmen International
Kingsmen Hong Kong Limited ("Kingsmen Hong Kong")	Hong Kong	100.0% held by Kingsmen North Asia
Kingsmen Exhiibition Equipment (Beijing) Co., Ltd	Beijing	100.0% held by Kingsmen North Asia
Kingsmen Taiwan (International) Co., Ltd	Taiwan	100.0% held by Kingsmen North Asia
Shanghai Kingsmen Exhibition Services Co., Ltd ("Kingsmen Shanghai")	Shanghai	100.0% held by Kingsmen North Asia
Kingsmen Macao Limited	Macau	100.0% held by Kingsmen North Asia
Kingsmen Middle East (L.L.C.) ("Kingsmen Middle East")	Middle East	34.0% held by Kingsmen International
KingsmenFairtech International Private Limited	India	19.5% held by Kingsmen International

Mr Benedict Soh is a non-executive director of Kingsmen North Asia, Kingsmen Hong Kong, Kingsmen Shanghai and Kingsmen Middle East. Mr Simon Ong is a non-executive director of Kingsmen Middle East.

4. CATEGORIES OF INTERESTED PERSON TRANSACTIONS

The IPT Mandate will apply to our Group's transactions with the Kingsmen Affiliates.

5. SCOPE OF THE IPT MANDATE

The transactions that are covered by the IPT Mandate are:

5.1 the provision by the Group of, and obtaining from, the Kingsmen Affiliates sub-contracting services relating to producing exhibits and interiors; and

5.2 the provision by the Group of corporate services to the Kingsmen Affiliates, which include the following:

- management expertise such as guidance and assistance on the administration, financial and other management functions of the business and operations of the Kingsmen Affiliates;
- design expertise such as guidance and assistance on the development and design of a project; and
- marketing support such as worldwide marketing and promotional activities (including attendance at trade fairs, seminars, production of brochures and marketing materials).

6. REVIEW PROCEDURES FOR INTERESTED PERSON TRANSACTIONS

6.1 The Company has implemented the following procedures to supplement existing internal control procedures to ensure that the provision of sub-contracting services to and from the Kingsmen Affiliates and the provision of corporate services from the Group to the Kingsmen Affiliates are undertaken on normal commercial terms consistent with its usual business practices and policies, which are generally no more favourable to the interested persons than those extended to unrelated third parties.

6.2 The following review procedures are established with regards to the IPT Mandate:

(a) For engaging a Kingsmen Affiliate to undertake sub-contract work of a value of $250,000 and above only, the procedures set out under paragraph (b) "Selection of Sub-Contractors" on pages 108 and 109 of the Prospectus, which is set out herein as follows:

In selecting a sub-contractor, the Group will seek quotes from at least two third party sub-contractors whenever feasible. When a quote is sought from a Kingsmen Affiliate, the Group will ensure that Chapter 9 of the Listing Manual is complied with. In addition, to ensure that the selection of the relevant Kingsmen Affiliate as sub-contractor (in the event that such a selection should occur) is made on an arm's length basis, the Directors will ensure that:

(I) the relevant Kingsmen Affiliate's quote shall not be higher than the most competitive quote of the other two comparative quotes, if available, from third parties;

(II) in determining which of the quotes is the most competitive, all relevant factors shall be taken into account, including the nature of the project, the amount quoted, as well as the experience, expertise and reliability of the relevant sub-contractors (to be determined in the light of their performance in past transactions undertaken, if any);

(III) should the relevant Kingsmen Affiliate be appointed as the sub-contractor notwithstanding that such appointment is on terms less favourable than as determined in accordance with (I) and (II) set out on page 108 of the Prospectus, or that the Group is not able to obtain quotes from other sub-contractors for whatever reason, then the approval of the Audit Committee for such appointment must be obtained. The Audit Committee will evaluate and weigh the commercial benefits of, and rationale for, transacting with Kingsmen Affiliates before deciding on the appointment of the proposed sub-contractors. In reviewing the terms of transaction, the Audit Committee will evaluate such terms in the light of prevailing industry norms including the reasonableness of the proposed transaction terms; and

(IV) the Controlling Shareholders, Mr Benedict Soh and Mr Simon Ong, will abstain from any decision-making process of the Group in the selection of a sub-contractor for work to be done in the Kingsmen Affiliates Territory (as defined on page 107 of the Prospectus) whenever a quote for such sub-contracting work is to be sought from any Kingsmen Affiliates.

The engagement of a Kingsmen Affiliate to undertake sub-contract work of a value of between $100,000 to $249,999 shall require the review and approval of a Director who has no direct or indirect interest in such transaction. The Director shall take into consideration factors such as the nature of the project, the amount quoted, as well as the experience, expertise and reliability of the relevant sub-contractors in his review.

(b) In considering whether to accept any sub-contracting work of a value of $250,000 and above only offered by a Kingsmen Affiliate, the Group shall take into account the gross margins for at least three most recent projects with other customers in the relevant Group Territory (territories outside the Kingsmen Affiliates Territories where the Group may carry on business) which are comparable in scope and size. The Group may only accept the sub-contract projects from the Kingsmen Affiliates only if the gross margin for that project is comparable with the average gross margin of the three aforesaid projects. Should the Group decide to accept such sub-contract project from the Kingsmen Affiliates even if the gross margin is lower, or in the event that the Group is not able to obtain a suitable comparison from recent projects, approval from the Audit Committee is required to accept the sub-contract project. The Audit Committee will evaluate and weigh the commercial benefits of, and rationale for, transacting with the relevant Kingsmen Affiliate before deciding on the proposed sub-contracting project. In reviewing the terms of the proposed transaction, the Audit Committee will evaluate such terms in the light of prevailing industry norms including the reasonableness of the proposed transaction terms. The transactions with the Kingsmen Affiliates will be subject to the provisions of the Listing Manual on interested person transactions.

The acceptance of any sub-contracting work of a value of between $100,000 to $249,999 offered by a Kingsmen Affiliate shall require the review and approval of a Director who has no direct or indirect interest in such transaction. The Director shall take into consideration factors such as the commercial benefit of undertaking the project, the gross margins and reasonableness of the proposed transaction in his review.

(c) For the provision of corporate services from the Company to the Kingsmen Affiliates:

(i) The Company will appoint one of the executive Directors (other than Mr Benedict Soh and Mr Simon Ong) ("the Corporate Services Director") to be in charge of the provision of corporate services to the Kingsmen Affiliates, whose duties shall include, inter alia, liaising with the Kingsmen Affiliates on the corporate services to be provided, assigning personnel from the Group to provide such corporate services, and the fees and payments in connection thereto, as well as for ensuring that the principles upon which such corporate services are to be provided to the Kingsmen Affiliates as set out in (iii) found on page 129 of the Prospectus have been adhered to; and

(ii) The Corporate Services Director shall report the following to the Board, including the Audit Committee, on a quarterly basis:

- the nature of the corporate services provided to the Kingsmen Affiliates and the names of the personnel assigned to provide such services during the quarter;
- the corporate fees accrued to the Group for that quarter;
- whether he is aware that the principles set out in (iii) found on page 129 of the Prospectus have been adhered to for that quarter; and
- whether he is aware that the Kingsmen Affiliates, Mr Benedict Soh or Mr Simon Ong have breached or could potentially breach their respective undertakings given to the Company.

The Audit Committee will review the corporate fees received from each of the Kingsmen Affiliates and the nature and extent of the services rendered to these companies. The Audit Committee shall satisfy itself that the fees are in accordance with the agreed formula, and that the fees received are reasonable and on normal commercial terms, and will not be prejudicial to the Group and minority Shareholders.

Currently, Mr Anthony Chong has been appointed as the Corporate Services Director to be in charge of the provision of corporate services to the Kingsmen Affiliates and the Board is entitled to appoint another director in his place at its discretion.

(iii) The principles upon which corporate services are provided by the Group to the Kingsmen Affiliates are as follows:

- The provision of management and design expertise is carried out on an ad hoc basis as and when an issue arises or at the request of a Kingsmen Affiliate. Personnel from the Group who provides such services will not be seconded to the Kingsmen Affiliate, but will remain as employees of, report to and take instructions from the Group. Further, the Group's personnel will not be involved in matters concerning business strategy, customer development or implementation of design work for any Kingsmen Affiliate. Both Mr Benedict Soh and Mr Simon Ong will not be assigned to provide management and design expertise to the Kingsmen Affiliates.

- The provision of marketing support includes the development and implementation of a worldwide marketing strategy covering the Kingsmen Affiliates Territories. Any new business derived from such marketing efforts will be allocated according to the provisions described under the "Potential Conflicts of Interest" section on pages 106 to 113 of the Prospectus.

(iv) In relation to the use of the "Kingsmen" name, the Company may at any time disallow a Kingsmen Affiliate from using the name. In addition, each Kingsmen Affiliate has undertaken to the Company that it will inform the Company of any matter arising in the course of its business that may be detrimental to the "Kingsmen" brand and give the Company access to such information.

(v) Mr Benedict Soh and Mr Simon Ong have undertaken to the Company to promptly inform the Board should they become aware if any of the undertakings given under the "Potential Conflicts of Interest" section on page 111 of the Prospectus have been or could potentially be breached.

(vi) The Board will on a quarterly basis, or more frequently if necessary, review whether the principles on which the corporate services are to be provided have been adhered to.

(vii) As and when the Board receives any information that the undertakings under the "Potential Conflicts of Interest" section on page 111 of the Prospectus have been or potentially could be breached or that the principles upon which the corporate services are to be provided have not been adhered to, the Board and Audit Committee shall review the matter, and where necessary obtain legal advice as to the best steps to take to address such breach or non-adherence and to take all necessary steps to safeguard its position in the light of the legal advice given.

6.3 To ensure that interested person transactions not covered by the existing IPT Mandate are undertaken at arm's length and on normal commercial terms, and will not be prejudicial to the Company and its minority Shareholders, the Audit Committee shall adopt the following procedure when reviewing interested person transactions:

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

(b) When selling items or supplying services to an interested person, the price and terms of two other successful sales of a similar nature to non-interested persons will be used for comparison to ensure that the interests of minority Shareholders are not disadvantaged. The sale price or fee for the supply of services shall not be lower than the lowest sale price or fee of the two other successful transactions with non-interested persons; and

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

6.4 The Audit Committee will review all interested person transactions, if any, at least half-yearly to ensure that they are carried out on normal commercial terms and in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee. The Audit Committee shall request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as it deems fit. In the event that a member of the Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction. The Audit Committee will approve the guidelines and review procedures for transactions under the IPT Mandate to ensure that these transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and minority Shareholders. Furthermore, if during these periodic reviews, the Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that the interested person transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new guidelines and procedures.

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

6.6 The IPT Mandate will not cover any transactions by the Company, its subsidiaries and its associated companies or any of them, with Kingsmen Affiliates that is below $100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions.

Transactions with interested persons (including Kingsmen Affiliates) which do not fall under the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9, or other applicable provisions of the Listing Manual and/or Companies Act, if any.

7. DISCLOSURE OF INTERESTED PERSON TRANSACTIONS PURSUANT TO THE IPT MANDATE

Disclosure will be made in the annual report of the Company of the aggregate value of interested person transactions entered into pursuant to the IPT Mandate during the each financial year during which the IPT Mandate is in force. In addition, the Company will announce the aggregate value of transactions entered into pursuant to the IPT Mandate during the relevant financial period within the required time frame stipulated in the Listing Manual.

Disclosure has been made in the Annual Report of the Company for the financial year ended 31 December 2005, of the aggregate value of transactions concluded with Interested Persons pursuant to the IPT Mandate during the financial year, and will be made in the Company's Annual Reports for subsequent financial years that the IPT Mandate continues to be in force, in accordance with the requirements of Chapter 9 of the Listing Manual.

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PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of Kingsmen Creatives Ltd., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

KINGSMEN CREATIVES LTD.
(Company Registration No. 200210790Z)
(Incorporated in the Republic of Singapore)

I/We, ____ (Name)

of ____ (Address)

being a member/members of KINGSMEN CREATIVES LTD. (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held on Monday, 24 April 2006 at 11.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion.

No.	Resolutions relating to:	For*	Against*
1	Directors' Report and Audited Accounts for the year ended 31 December 2005		
2	Payment of proposed first and final one-tier tax exempt dividend		
3	Re-election of Mr Benedict Soh Siak Poh as a Director		
4	Re-election of Mr Khoo Ho Tong as a Director		
5	Approval of Directors' fees amounting to S$165,000.00		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Authority to allot and issue new shares		
8	Authority to allot and issue shares under the Kingsmen Share Option Scheme		
9	Approval for renewal of Shareholders' Mandate for Interested Person Transactions		

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

Dated this______ day of ______________________, 2006.

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 3 Changi South Lane Singapore 486118 not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

General

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

First Fold

Second Fold

Affix
Postage
Stamp

The Secretary
Kingsmen Creatives Ltd
Kingsmen Creatives Centre
3 Changi South Lane
Singapore 486118

Third Fold

kingsmen

A communications design and
production group in Asia-Pacific

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