kingsmen

Inspiring Designs, Innovative Solutions

Kingsmen Creatives | **Annual Report 2007**

Our Vision

Design-led, Quality and Service driven

Our Mission

To maintain our position as one of the leaders in Asia Pacific

To be an active global player and be recognized as one of the elite marketing communications houses globally

To provide exciting and fulfilling career opportunities for all members through continual expansion and continuous learning

Inspiring Designs, Innovative Solutions

Kingsmen's integrated approach, from creative design, quality production to service-oriented project management and full logistics support, ensures that our client's demanding requirements are met. More importantly, at Kingsmen, quality goes beyond the completion of projects; it encompasses the process of sharing in our client's visions and goals, and eventually their success.

Through an established brand and a steadfast commitment to quality and innovation, Kingsmen is today the partner of choice.

Financial Highlights

	FY2004 $'000	FY2005 $'000	FY2006 $'000	FY2007 $'000
RESULTS FOR THE YEAR				
Revenue	63,261	76,742	108,945	146,131
Gross profit	16,467	20,541	27,784	38,683
Gross profit margin	26.0%	26.8%	25.5%	26.5%
Net profit before taxation	1,795	2,883	6,110	12,542
Net profit for the year attributable				
to equity holders of the parent	1,261	2,192	4,937	9,365
AT YEAR-END				
Share Capital	7,582	7,582	10,982	21,603
Shareholders' funds	13,108	14,708	18,520	35,756
Minority interests	685	830	641	1,639
Short and long-term borrowings	453	944	1,681	1,657
Total funds invested	14,246	16,482	20,842	39,052
Debt-equity ratio (%)				
Excluding minority interests	3.5%	6.4%	9.1%	4.6%
Including minority interests	3.3%	6.1%	8.8%	4.4%
PER SHARE (CENTS)				
Earnings - basic	1.26	2.17	4.88	7.94
Earnings - diluted	1.26	2.17	4.88	7.87
Dividends	0.70	1.00	2.00	3.00
Net assets	12.97	14.55	18.32	28.27
RETURN ON AVERAGE SHAREHOLDERS' EQUITY				
After Taxation	9.94%	15.76%	29.71%	34.51%

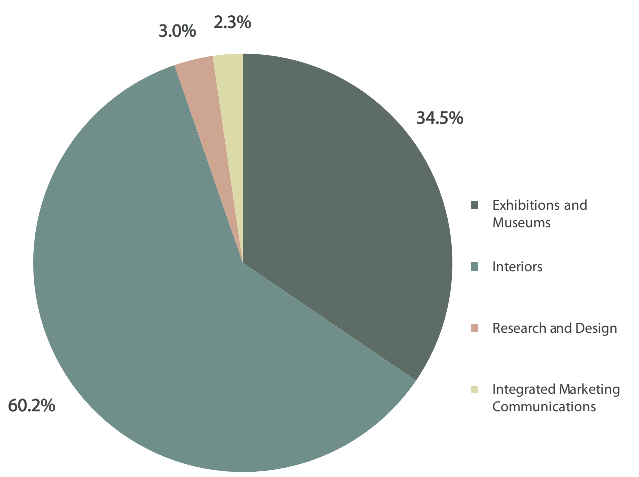
TURNOVER BY ACTIVITIES

REVENUE	December 2006 $'000	December 2006 %	December 2007 $'000	December 2007 %
Exhibitions and Museums	46,794	43.0	50,440	34.5
Interiors	56,039	51.4	87,927	60.2
Research and Design	3,453	3.2	4,336	3.0
Integrated Marketing Communications	2,659	2.4	3,428	2.3
Total turnover	**108,945**	**100.0**	**146,131**	**100.0**

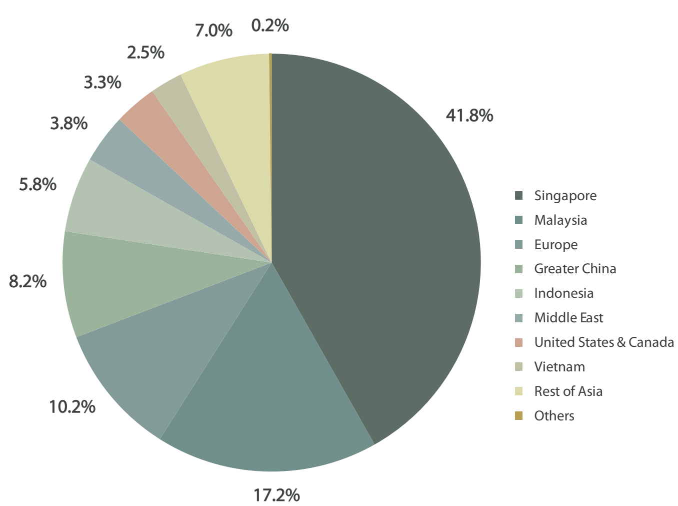
TURNOVER BY GEOGRAPHY

REVENUE	December 2006 $'000	December 2006 %	December 2007 $'000	December 2007 %
Singapore	59,109	54.3	61,042	41.8
Malaysia	12,323	11.3	25,174	17.2
Europe	7,113	6.5	14,889	10.2
Greater China	3,060	2.8	12,008	8.2
Indonesia	4,606	4.2	8,526	5.8
Middle East	1,174	1.1	5,535	3.8
United States & Canada	6,998	6.4	4,811	3.3
Vietnam	5,181	4.8	3,666	2.5
Rest of Asia	8,973	8.2	10,127	7.0
Others	408	0.4	353	0.2
Total turnover	**108,945**	**100.0**	**146,131**	**100.0**

TURNOVER BY ACTIVITIES



TURNOVER BY GEOGRAPHY



Financial Highlights

Group	FY2007 $'000	FY2006 $'000	Change %
Revenue			
Exhibitions and museums	50,440	46,794	8
Interiors	87,927	56,039	57
Research and design	4,336	3,453	26
Integrated marketing communications	3,428	2,659	29
Total revenue	**146,131**	**108,945**	**34**
Cost of sales	(107,448)	(81,161)	32
Gross profit	**38,683**	**27,784**	**39**
Other income	2,494	1,456	71
Operating expenses	(29,025)	(23,398)	24
Profit before share of results of associates	**12,152**	**5,842**	**108**
Share of results of associates	211	256	(17)
Interest expenses	(95)	(81)	17
Interest income	274	93	195
Profit before taxation	**12,542**	**6,110**	**105**
Taxation	(2,299)	(1,426)	61
Profit for the financial year	**10,243**	**4,684**	**118**
Attributable to:			
Equity holders of the parent	9,365	4,937	90
Minority interests	878	(253)	n/m
	10,243	**4,684**	**118**

REVENUE

Revenue for FY2007 increased by $37.19 million to $146.13 million from $108.95 million for FY2006, of which $13.44 million is derived from the revenue of the subsidiaries operating in Hong Kong, China and Taiwan, which were acquired in September 2007.

All the operating divisions achieved growth in FY2007, with the Interiors division taking up the bigger share of the increase of $31.89 million, followed by the Exhibitions and Museums division, for which revenue increased by $3.65 million.

The **Interiors division** achieved a significant increase of 56.9% in revenue of $31.89 million from $56.04 million in FY2006 to $87.93 million in FY2007. The growth in the retail sector continued into FY2007 both in Singapore and Malaysia, and the Group continued to enjoy success in managing its key accounts which provided up to 80% of its Interiors business. These key accounts include customers and brand names such as Apple, Burberry, Chanel, DBS, Esprit, FJ Benjamin, Gap, Gucci, John Little, Marks & Spencer, Nokia, Nuance Watsons, Omega, Polo Ralph Lauren, Robinsons, Standard Chartered Bank, Tag Heuer, Tiffany, Tommy Hilfiger and Wing Tai. In addition, more than $15.50 million worth of projects were completed in the last quarter of FY2007 for the two new major shopping centres in Kuala Lumpur, namely Mid Valley (The Gardens) and Pavillion, most of which were carried out for these key accounts.

The fixture export business shown steady growth with orders from customers such as Aldo, Apple Ipod, Omega and Marks & Spencer, and continued orders from Nokia for their roll-out across Asia. The export of retail merchandising units to the Middle East also increased substantially.

The **Exhibitions and Museums division** achieved growth of 7.8% in revenue to $50.44 million in FY2007. This includes revenue from major exhibition events such as Cityscape Dubai, Dubai Airshow, Guangzhou Motorshow, Korea Airshow, Label Expo, SIBOS, TFAP and Tempus, Venetian Opening event in Macao, and event launches undertaken for BMW in Singapore and Yamaha Motors in Vietnam and Malaysia, and the installation of works for Eye Corp at Changi Airport.

On Museum business, the two museum projects were in Singapore, namely the Home Team Academy Museum and the Army Museum. During the last quarter of FY2007, our China subsidiaries carried out various museum/visitor centre fit-out jobs for Suzhou Industrial Park, Suzhou Technology Exhibition Centre and Dalian Software Park.

The **Research and Design Division** achieved a revenue of $4.34 million for FY2007 as compared to $3.45 million in FY2006. The increase is due to more design jobs undertaken in FY2007, which is in tandem with the overall growth of the Group. Revenue from the **Integrated Marketing Communications division** increased from $2.66 million to $3.43 million.

GROSS PROFIT

Gross profit increased by $10.90 million or 39% to $38.68 million in FY2007 as compared to $27.78 million in FY2006. Gross profit margin for FY2007 was 26.5% as compared to 25.5% for FY2006.

OTHER INCOME

Other income, which comprises mainly rental income, corporate fees and miscellaneous income, increased from $1.46 million in FY2006 to $2.49 million in FY2007.

OPERATING EXPENSES

Group	FY2007 $'000	FY2006 $'000	Change %
Staff salaries and related expenses			
Directors' remuneration and fees			
Directors' of the company	2,338	1,824	28
Directors of the subsidiaries	3,823	2,748	39
Staff costs	13,339	10,720	24
Premises and equipment			
Rental of premises	2,480	1,948	27
Depreciation of property, plant and equipment	1,703	1,137	50
Rental of equipment and vehicles	94	70	34
Property, plant and equipment written off	1	57	-98
Gain/(loss) on disposal of property, plant and equipment	(1)	7	n/m
Bad and doubtful debts expenses	121	1,248	-90
Selling and marketing expenses	364	497	-27
Exchange loss	493	192	157
Amortisation of intangible assets acquired	121	-	n/m
Other operating expenses	4,149	2,950	41
Total operating expenses	29,025	23,398	24

Operating expenses increased from $23.40 million for FY2006 to $29.03 million for FY2007 due to the following:

a) Expenses of the newly acquired subsidiaries in the Kingsmen North Asia Group Sep 2007 to Dec 2007, amounting to $2.78 million comprising mainly:
   i) Staff cost amounting to $1.43 million;
   ii) Directors' remuneration amounting $675,000;
   iii) Rental of premises expenses amounting to $367,000; and
   iv) Other general and administrative expenses of $173,000.

b) Increase in operating expenses of the Group's other existing companies of $2.88 million (FY2007: $26.25 million; FY2006: $23.40 million) comprising mainly:
   i) Increase in staff salaries and related expenses from $10.72 million to $11.91 million;
   ii) Increase in directors' remuneration from $4.57 million to $5.49 million;
   iii) Increase in depreciation expenses from $1.14 million to $1.62 million;
   iv) Increase in general and administrative expenses from $2.95 million to $3.98 million;
   v) Increase in exchange loss from $192,000 to $454,000; and
   Offset by:
   vi) Decrease in bad and doubtful debts expenses from $1.25 million to $121,000.

Interest Income

This relates mainly to interest income derived from fixed deposits placed with the banks.

Share of Results of Associates before taxation

This relates to the share of results before taxation of the associated companies, namely Ascend Computer Rental Pte Ltd, Kingsmen (Korea) Limited, Kingsmen Nikko Limited, and from Enterprise Sports Group Pte Ltd which was acquired on 29th June 2007.

Profit before taxation

Profit before taxation increased by $6.43 million or 105% to $12.54 million for FY2007 as compared to $6.11 million for FY2006.

"… by focusing on the big picture, working out the small details and consistently delivering on our promise…"

Dear Shareholders

Against the backdrop of a strong performance and a bustling market for creative design and production work, I am pleased to present to you our annual report.

FY2007 was a landmark year for us. Besides reporting a record year in top and bottom lines, we have for the first time in years, good visibility of the business in front of us.

The year saw our revenue increasing 34% to $146.1 million, while net profit rose 90% from $4.9 million to $9.4 million. This was driven by growth in all our operating divisions and growing contribution from our operations in Hong Kong, China and Taiwan. In addition, exports of retail fixtures to Europe and North America have also started to show encouraging results.

On a business segment basis, our Interiors division saw the largest growth, with revenue increasing 57% to $87.9 million, led by the buoyant Singapore and Malaysian retail sector. Revenue for our Exhibitions and Museums division grew 8% to $50.4 million, while revenue for our Research and Design division grew 26% to $4.3 million. Our IMC division also saw revenue grow 29% to $3.4 million.

However, it is in the international markets that we have seen the most significant growth in FY2007, signaling a broadening of our revenue base. Markets outside Singapore accounted for 58% of Group revenue in FY2007, up from 46% in the previous year. Barring unforeseen circumstances, we expect this trend to continue as contribution from our overseas offices increase. In North Asia, our subsidiaries are well positioned to capitalise on the unabated growth that is driving a retail boom and a rapidly growing exhibition industry. The upcoming 2008 Beijing Olympic Games has also been a major catalyst to this growth. In addition, we also intend to expand our scope and services into the fast-developing sports marketing, consultancy and event management service area through our new associate company, Enterprise Sports Group.

Over in the Middle East, a massive construction boom, expanding manufacturing base and a thriving services sector is expected to create numerous opportunities for our office in Dubai.

We are also encouraged by our efforts at marketing retail fixtures to Europe and the United States. Over the last 12 months we have secured new clients in the US, Switzerland and Canada. We have not fully tapped into these markets and intend to allocate more resources to grow this area of business.

At home, barring unforeseen circumstances, we expect to see strong demand for our services from new shopping centres in Orchard Road, as well as the continuous upgrading of Terminal 1 and 2 and the opening of Terminal 3. The two new Integrated Resorts which are scheduled to open in 2009 and 2010, and our 5-year contract to construct grandstands and corporate suites for the Singapore F1 Grand Prix is expected to present tremendous business opportunities for us.

We are also optimistic about the MICE industry in Singapore, especially with the Singapore Government's plans to grow this industry. Our award as the "Service Partner Excellence of the Year" at the inaugural Singapore Business Events Awards by the Singapore Tourism Board this year, positions us well as the partner of choice in the Singapore market.

We believe these are unprecedented times for us. Not only because of the business potential, but also because of the increasing demands and special needs of the market. In this regard I am pleased to say that our vertical and horizontal integrated capabilities put us in a unique position to meet these needs. The energy and commitment level of the whole organization is at an all time high.

In appreciation of the support from our loyal shareholders, the Board is pleased to propose a first and final dividend of 2.0 Singapore cents per ordinary share and a special dividend of 1.0 Singapore cent per share for FY2007.

In closing, I would like to express my appreciation to all at Kingsmen who have helped the Group to achieve this good result. Their dedication and diligence is indeed commendable. I would also like to extend my gratitude to the Board of Directors for their guidance and counsel during the year. Last but not least, I would like to thank our business associates, customers and shareholders for their loyal support and trust in us.

Benedict Soh
Executive Chairman

BENEDICT SOH
Executive Chairman

Benedict Soh is our Executive Chairman. 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 31 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, Public Affairs Committee of the Singapore Association of Convention & Exhibition Organisers & Suppliers and the immediate past president of Rotary Club of Pandan Valley. He is also a member of Investment Panel for Spring Seeds Capital and International Action Crucible of IE Singapore. Mr Soh was awarded a Master in Business Administration from the University of Hull in the United Kingdom.

SIMON ONG
Group Managing Director

Simon Ong is our Group Managing 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 31 years. Mr Ong was the President of the Interior Designers Association, Singapore (1995-1997), Vice-Chairman of the Potong Pasir CC Management Committee (1998-2003) and a member of the Advisory Committee of Temasek Polytechnic School of Design (1998-2007). He is currently Chairman of the Design Manpower, Skills & Training Council and an IDP member of the Singapore Design 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 has extensive experience in banking and finance and is currently a Managing Director at HSBC Private Bank (Suisse) SA, Singapore branch. Mr. Lee has been with the HSBC group in Singapore for over 30 years. He is also presently a Director at Tri-M Technologies (S) Ltd. Mr Lee graduated with a Bachelor of Social Sciences (Honours) degree in Economics from the University of Singapore. He is also an Associate of the Chartered Institute of Bankers, UK.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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 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
Independent Director

Khoo Ho Tong is our Independent 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. At present, Mr. Khoo is a Director at Aztech Systems Ltd and JK Technology Group Limited. He is also the Chairman of the Audit Committee at Asiatravel.com Holdings Ltd, Nam Lee Pressed Metal Industries Limited and Tastyfood Holdings Ltd. He was also a former Director at Eng Kong Holdings Ltd and former Chairman of the Audit Committee at Asiamedic Limited. Mr Khoo is a Fellow Certified Public Accountant in Singapore.


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Senior Management

1. **Michael Ng Hung Chiao** is an Executive Director of Kingsmen Exhibits Pte Ltd. He is involved in expanding the clientele base and maintaining key accounts of both local and international clients Michael 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.

2. **Francis Yee Chee Kong** is an Executive Director of Kingsmen Projects Pte Ltd. He is responsible for the day-to-day operations, sales development and project management of the company. He joined our Group in 1989 as Project Executive and thereafter held various positions before he got appointed Project Director in 1999. Francis studied Furniture Design and Production at the Baharuddin Vocation Institute and was awarded a certificate by the Industrial Training Board.

3. **Alex Wee Huat Seng** is an Executive Director of Kingsmen Projects Pte Ltd. He has been with the company since 1990 and held various positions including Senior Project Manager and Division Manager until he was appointed as Director in 2000. Since then, he was responsible for business development, project management and operations of Kingsmen Projects Pte Ltd. Alex graduated with a Bachelor's (Honours) degree in Construction Management from University of Newcastle, Australia in 2004.

4. **Roy Ong Chin Kwan** is our Creative Director. He provides creative directions to Kingsmen Design Pte Ltd and manages our team of over 40 designers and ensures that the designs meet the aesthetic, functional and budgetary requirements of our clients. He worked as a freelance associate designer for our Group before joining as a senior designer in July 1996. Roy is a member of the Interior Design Association Singapore. He received a Master of Design from the University of New South Wales.

5. **Gerald Tay Kay Sock** is our Design Director. Aside from looking after the daily operations of Kingsmen Design Pte Ltd, he also provides creative direction and ensures that the design specifications are met up to the realization of the project. After joining our group in 1985, he was promoted to Design Director in 2000. Gerald is a member of the Interior Designers' Association Singapore. He received the Industrial Technician Certificate in Interior Design by the Vocation and Industrial Training Board in Singapore.

6. **Richard Tan Kwong Ngiap** is the Executive Director of I-Promo Events and Marketing Pte Ltd. He develops the business direction and formulates marketing strategies of the company. Richard has more than 15 years of experience in the organization and management of exhibitions, events and conferences when he set up I-Promo in partnership with Kingsmen International Pte Ltd in 2001. He received a Masters Degree in Business Administration (Strategic Marketing) from the University of Hull in the United Kingdom.


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7. **Stephen Lim Hock Chye** is a General Director of Kingsmen Indochina Pte Ltd. He is currently in-charge of the day-to-day operations, sales, marketing and management of our Vietnam office. In 1992, he joined Kingsmen Indochina Pte Ltd as General Manager looking after its overall operations in Vietnam prior to becoming its director in 1994. Stephen has more than 22 years of experience in operations and project management of exhibitions, events and retail interiors.

8. **Cheong Chai Keng** is the Executive Director of our Malaysia Operations. He is responsible for the overall management of the company including sales and marketing, operations and finance. He joined Kingsmen Malaysia in 1983 as a designer and was promoted to a project manager in 1985. On the same year, he became the director of Keb Systems Sdn Bhd. He obtained a diploma in Mechanical Engineering from the Federal Institute Technology.

9. **Edward Ho Juan Hee** is the Managing Director of our Greater China Operations. He joined Kingsmen North Asia in 1997 and has since then took charge of the overall management of all four Greater China offices. Edward's 25 years of experience in the MICE and commercial interiors industry helped gain the confidence of many prestigious clients and eventually secure major projects in many parts of China. He obtained his Diploma in Electronic Engineering from Ngee Ann Polytechnic.

10. **Krez Peok Chong Eng** is the Executive Director of our Greater China Operations. He has more than 20 years of practical experience in museums, visitor centres, exhibitions, events and interiors. In 1997, he joined Kingsmen North Asia and also took charge of the overall management of all four Greater China offices. Many large-scale exhibitions, events museums were successfully completed under his supervision. Krez obtained a Certificate in Mechanical Engineering from Singapore Technical Institute and Certificate in Management Studies from Singapore Institute of Management.

11. **Francis Chang Keat Jin** is the Executive Director of PT Kingsmen Indonesia. He joined Kingsmen in 1990 as a Senior Designer. After being stationed to Indonesia and Vietnam, he returned to Singapore in 2000 as Department Head before he finally moved to Indonesia again as General Manager. Francis oversees the daily operations of our Indonesia office from design, project management and fabrication. Francis has more than 20 years of experience in interiors, exhibitions and events and six years in architectural construction and management.

12. **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 Grouop, she was the Financial Controller of another listed company in Singapore and prior to that, an Auditor with Ernst and Young. Judith obtained her Bachelor's Degree in Accountancy from Nanyang Technological University and is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore.


Transforming the aviation experience.

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Revenue from the Exhibitions and Museums division grew 7.8% to $50.4 million in FY2007. This included revenue from major exhibition events such as Cityscape Dubai, Dubai Airshow, Guangzhou Motorshow, Korea Airshow, Labelexpo, SIBOS, TFAP and TEMPUS; Venetian Opening event in Macao, and event launches undertaken for BMW in Singapore; Yamaha Motors in Vietnam and Malaysia, and the installation of works for Eye Corp at Changi Airport. The Museum business included two museum projects in Singapore, namely the Home Team Academy Museum and the Army Museum. Our China subsidiaries also carried out various museum/visitor centre fit-out jobs for Suzhou Industrial Park, Suzhou Technology Exhibition Centre and Dalian Software Park.

Our portfolio is built on a strong ability to create innovative yet functional ideas, integrating diversified elements to a unified whole and delivering quality services within stipulated time frames. Our expertise lies in synthesizing resources and techniques to form engaging milieus.

1. **DAE, Dubai 2007 Airshow**
   "Best Stand & Best National State Pavillion"

2. **TEMPUS**
   by The Hour Glass, Singapore

3. **Army Museum**
   Singapore

4. **Nissan**
   Bangkok Motorshow, Thailand


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MINI Habitat
27 Leng Kee Road

The Retail and Office Interiors division recorded a significant 56.9% increase in revenue to $87.9 million in FY2007. This was led by growth in the retail sector in Singapore and Malaysia. Key accounts which include Apple, Burberry, Chanel, DBS, Esprit, FJ Benjamin, Gucci, Nokia, Nuance Watsons, Omega, Polo Ralph Lauren, Robinsons Group, Standard Chartered Bank, Tag Heuer, Tiffany, Tommy Hilfiger and Wing Tai accounted for up to 80% of its business. In addition, more than $15.5 million worth of projects were completed at Kuala Lumpur's two new shopping malls, Mid Valley (The Gardens) and Pavilion. The fixture export business has also shown steady growth with orders from clients like Aldo, Apple Ipod, Omega and Marks & Spencer, and continued orders from Nokia for its roll-out across Asia. Exports of retail merchandising units to the Middle East also increased substantially.

Our unparalleled commitment to quality has led to the fostering of close partnerships with clients and business partners. We work relentlessly to provide creative and cost-effective retail solutions to fulfill our clients' needs and marketing objectives.

1. **MINI Habitat,** Singapore
   "Outstanding Merit" - 2007 Retail Design Award
   Las Vegas, USA

2. **Banana Republic**
   Asia Pacific

3. **SAP**
   Thailland

4. **Tag Heuer**
   Singapore


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Revenue for the Integrated Marketing Communications division grew 29% to $3.4 million in FY2007, attributed to Kingmen's ability to deliver effective, integrated solutions combined with creativity, quality and cost-efficiency. In this era of experiential marketing, we have the capability to transform ideas into reality by creating experiences that engage our clients' target audiences. In 2007, we managed several prominent events such as the PUB Summit, Army Museum Opening, Travel Malaysia, Biomedical Science International Advisory Council Meeting and a number of BMW events like Art Cars Exhibition and X5 Launch at Robertson Blue.

Generating big ideas, exploring new concepts, creating innovative solutions and piecing everything together are second nature to Kingsmen. We provide a single point of contact for a complete range of services to meet our clients' strategic marketing goals.

"6th, Top 10 Event Consultancies" - Marketing's Agency of the Year 2007

1. **Tokyo Design Premio**
   Italy
2. **ST701**
   Singapore
3. **The Venetian Macao Grand Opening**
   Macau
4. **Utter Rubbish**
   Singapore


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In FY2007, our Research and Design division achieved a 26% growth in revenue to $4.3 milion. This was through solid partnerships with renowned brands like Burberry, Banana Republic, Gap, Guess, Marciano and Nokia. Over the years, we have received more than 60 awards recognising the Group's excellent design capabilities. Our designers combine creativity and functionality to transform space into signature designs and translate designs to reflect the corporate identity or brand image of our clients.

1. **Robinsons Department Store**
   The Gardens, Kuala Lumpur, Malaysia
   "1st Place New or Completely Renovated
   Specialty Department Store Category"
   ISP/VM+SD International Store Design Awards 2007, USA

2. **Guess Accessories**
   Asia Pacific

3. **Haier at HARFKO 2007**
   South Korea

4. **Aviation Dicovery Centre**
   Hong Kong

At Kingsmen, we strive for excellence in innovation, pushing conceptual boundaries and utilising the latest technology to meet new challenges.

Corporate Information

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

COMPANY SECRETARIES
Judith Low Chu Li
Wee Mae Ann

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
3 Church Street #08-01
Samsung Hub
Singapore 049483

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

AUDITORS
Ernst & Young
Certified Public Accountants
1 Raffles Quay
#18-01 North Tower
Singapore 048583

Partner-in-charge: Yen Heng Fook
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, and to complying with the Code of Corporate Governance 2005 ("the Code") issued by the Corporate Governance Committee. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which will safeguard the interests of shareholders. The Company is pleased to confirm that throughout the financial year ended 31 December 2007 ("FY2007"), it has generally adhered to the principles and guidelines as set out in the Code, except for certain deviations which are explained below.

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 principal functions of the Board of Directors are to:-

- set and direct the long-term vision and strategic direction of the Group;
- review the performance of the Group's management;
- establish a proper risk management system to ensure that key potential risks faced by the Group are properly identified and managed;
- conduct periodic review of the Group's internal controls, financial performance, compliance practices and resource allocation;
- approve annual budgets, proposals for acquisitions, investments and disposals;
- review corporate governance practices; and
- set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met.

Presently, the Board comprises six Directors (of whom three 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, Executive Chairman
Mr Simon Ong Chin Sim, Group Managing Director
Mr Anthony Chong Siew Ling, Director

Independent Directors
Mr Lee Hock Lye
Mr Prabhakaran Narayanan Nair
Mr Khoo Ho Tong

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. It delegates the formulation of business policies and day-to-day management to the Executive Directors. Matters which specifically require the Board's decision or approval are those involving:-

- corporate strategy and business plans;
- investment and divestment proposals;

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- 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.

Every Director is expected, in the course of carrying out his duties, to act in good faith and to consider at all times the interest of the Company.

All other matters are delegated to committees whose actions will be monitored by the Board. These committees include the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), 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. Where necessary, the Directors will be updated regarding new legislation and/or regulations which are relevant to the Group.

Telephone attendance at Board Meetings are allowed under Article 120(2) of the Company's Articles of Association. The attendance of the Directors at Board Meetings and meetings of various committees in FY2007 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	5	5	-	-	1	1	-	-
Simon Ong Chin Sim	5	5	-	-	1	1	-	-
Anthony Chong Siew Ling	5	4	-	-	-	-	-	-
Lee Hock Lye	5	5	4	4	1	1	1	1
Prabhakaran Narayanan Nair	5	5	4	4	1	1	1	1
Khoo Ho Tong	5	5	4	4	1	1	1	1

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 three are considered independent by the 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, Mr Prabhakaran Narayanan Nair and Mr Khoo Ho Tong are independent. The strong independent element on the Board enables the Management to benefit from external diverse and objective perspective of issues raised. It also allows for constructive exchange of ideas and views to shape the strategic policies of the Group.

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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.

The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, where the Chairman of the Board is also the most senior executive who is responsible under the immediate authority of the Board for the conduct of the business of the Company, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered. This role has been assumed by our Executive Chairman, Mr Benedict Soh Siak Poh.

Mr Soh, in addition to managing the day-to-day running of the Group, also ensures that each member of the Board and the Management works well together with integrity and competence. As the Chairman of the Board, he, with the assistance of the Company Secretaries, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, Management and shareholders of the Company. He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. The NC comprises a majority of the independent directors of the Company and the RC comprise only of the independent directors of the Company. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

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 the three independent Directors, Mr Prabhakaran Narayanan Nair and Mr Lee Hock Lye, and our Group Managing 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 in accordance with its terms of reference are as follows:-

- to make recommendations on all Board appointment and 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;
- 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; and
- ensuring that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

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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	Executive Chairman	16 December 2002	24 April 2006
Simon Ong Chin Sim	Group Managing Director	16 December 2002	25 April 2005
Anthony Chong Siew Ling	Executive Director	12 August 2003	23 April 2007
Khoo Ho Tong	Independent Director	12 August 2003	24 April 2006
Prabhakaran Narayanan Nair	Independent Director	12 August 2003	25 April 2005
Lee Hock Lye	Independent Director	12 August 2003	23 April 2007

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.

The NC relies on personal contacts and recommendations for the right candidates, when a vacancy arises under any circumstance. In consultation with the Board, the NC would determine the selection criteria and identify candidates with the appropriate expertise for the position. The NC then nominates the most suitable candidate who is appointed to the Board.

Information required in respect of the academic and professional qualifications of the Directors as well as their current directorships and those held in the preceding three years in other listed companies and other major appointments 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 allow for comparison to industry peers and which address how the Directors have enhanced long-term shareholders' value. It also considers the Company's share price performance over a five-year period vis-à-vis the SSTI and a benchmark of its industry peers.

Based on the recommendation of the NC, the Board has established an appraisal 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. 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 selected performance criteria will not change from year to year unless 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.

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Access to Information

Principle 6: In order to fulfill 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 Secretaries to facilitate separate and independent access. At least one Company Secretary is in attendance at all Board meetings. Together with Management, the Company Secretaries are responsible for ensuring that appropriate Board 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 appointments and removal of the Company Secretaries would be a matter for the Board as a whole.

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 RC was formed on 8 September 2003 and comprises the three independent Directors, Mr Lee Hock Lye, Mr Prabhakaran Narayanan Nair and 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 covering all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind 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.

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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 renewed its service agreements with Mr Benedict Soh Siak Poh and Mr Simon Ong Chin Sim. The renewal was from 1 July 2006 for a further period of 3 years and shall, upon expiry, be automatically renewed on a three-year basis on such terms and conditions as the parties shall agree. There are no excessive or onerous removal clauses in these service agreements. They may be terminated by either party giving three months' notice in writing or, in lieu of notice, payment of three months' salary based on the Director's last drawn salary.

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 an 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 annually. 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% of the profit before tax of Kingsmen Environmental Graphics Pte Ltd and up to 5% of the profit before tax of 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.

Independent Directors

All independent 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 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.

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

FY2007	Fees %	Salary %	Bonus/ Incentives %	Benefits %	Share Options %	Total %
Remuneration Band & Name of Directors						
$750,000 to $999,999						
Benedict Soh Siak Poh	10%	37%	51%	2%	-	100%
Simon Ong Chin Sim	10%	37%	51%	2%	-	100%
$250,000 to $499,999						
Anthony Chong Siew Ling	11%	36%	50%	3%	-	100%
Below $250,000.						
Lee Hock Lye	100%	-	-	-	-	100%
Prabhakaran Narayanan Nair	100%	-	-	-	-	100%
Khoo Ho Tong	100%	-	-	-	-	100%

A breakdown, showing the level and mix of top five key executives in FY2007 is as follows:-

	Fees %	Salary %	Bonus/ Incentives %	Benefits %	Share Options %	Total %
Remuneration of top 5 key executives (who are not directors of the Company)						
$250,000 to $499,999						
Alex Wee Huat Seng	3%	33%	61%	3%	-	100%
Francis Yee Chee Kong	3%	33%	61%	3%	-	100%
Michael Ng Hung Chiao	6%	34%	57%	3%	-	100%
Roy Ong Chin Kwan *	4%	43%	49%	4%	-	100%
Gerald Tay Kay Sock	4%	50%	40%	6%	-	100%

* Mr Roy Ong Chin Kwan is an immediate family member of Mr Simon Ong Chin Sim, our Group Managing 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 FY2007.

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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 three independent Directors, Mr Lee Hock Lye, Mr Prabhakaran Narayanan Nair and 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 schedules a minimum of four meetings in each financial year. The meetings are 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;
- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to financial performance;
- making recommendations to the Board on the appointment, re-appointment and removal of external auditors and approving the remuneration and terms of engagement of the external auditor;
- reviewing the effectiveness of the internal audit function;
- evaluating the adequacy of the internal control systems of the Group by reviewing written reports from the internal and external auditors, and Management's responses and actions to correct any deficiencies;

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- evaluating the adherence to the Group's administrative, operating and internal accounting controls; 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. It also has full access to and co-operation of the Management as well as discretion to invite any Director or key executive to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

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.

The Company currently does not have in place arrangements where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. This is because employees already have available to them the avenue of reporting such matters to the relevant external authorities. For the staff working in overseas offices, there already are in place informal channels whereby they can inform the Management in Singapore of any suspected improprieties or fraud, so that Management may conduct the necessary investigations.

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 FY2007 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 (including financial, operational and compliance controls, and risk management systems) in the Group. The AC will review the risk assessment procedures of the Company on a half-yearly basis.

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Internal Audit

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

Prior to May 2007, the Company had in place 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 Executive Chairman. With effect from 2008, the Internal Audit Function has been outsourced to a public accounting firm. The AC reviews the adequacy of the internal audit function at least on an annual basis.

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.

Currently, 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 set out in the Listing Manual of the SGX-ST on dealings in the Company's securities.

The policies have 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.

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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 FY2007 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 *	105,070	-
Kingsmen Beijing Co., Ltd	-	180,771
Kingsmen Taiwan (Int'l) Co., Ltd	-	276,616
Kingsmen Hong Kong Ltd	-	106,757
Kingsmen Middle East LLC	-	2,457,663

* in respect of the lease of office and workshop premises

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.

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.

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Directors' 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 (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2007.

Directors

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

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

In accordance with Articles 93 and 94 of the Company's Articles of Association, Simon Ong Chin Sim and Prabhakaran Narayanan Nair 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, an interests in shares of the Company, as stated below:

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Benedict Soh Siak Poh	5,056,293	5,156,293	25,428,707	25,328,707
Simon Ong Chin Sim	5,056,280	5,156,280	25,328,707	25,328,707
Anthony Chong Siew Ling	2,623,174	2,423,174	–	–
Khoo Ho Tong	50,000	50,000	–	–
Prabhakaran Narayanan Nair	100,000	100,000	–	–

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Benedict Soh Siak Poh and Simon Ong Chin Sim are deemed to have interests in shares of all the subsidiaries held by the Company.

Directors' Report

Directors' interests in shares and debentures (cont'd)

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

There was no change in any of the abovementioned interests between the end of the financial year and 21 January 2008.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous 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 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 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.

Directors' Report

Share options (cont'd)

Details of the options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 31 December 2007 are as follows:

Date of grant	Exercise period	Exercise price ($)	Balance as at 1.1.2007	Balance as at 31.12.2007
21.05.2004	21.05.2005 – 21.05.2009	0.25	200,000	–
31.05.2004	31.05.2005 – 31.05.2009	0.21	3,000,000	315,000
			3,200,000	315,000

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 31.12.2007	Aggregate options outstanding as at 31.12.2007
Executive director of the Company				
Anthony Chong Siew Ling	31.05.2005-31.05.2009	0.21	200,000	–
Directors of subsidiaries				
Alex Wee Huat Seng	31.05.2005-31.05.2009	0.21	200,000	–
Gerald Tay Kay Sock	31.05.2005-31.05.2009	0.21	200,000	–
Cheong Chai Keng	31.05.2005-31.05.2009	0.21	200,000	–
Goh Ting Meng	31.05.2005-31.05.2009	0.21	200,000	–
Michael Ng Hung Chiao	31.05.2005-31.05.2009	0.21	200,000	–
Ong Chin Kwan*	21.05.2005-21.05.2009	0.25	200,000	–
Yee Chee Kong	31.05.2005-31.05.2009	0.21	200,000	–
Employees				
Anthony Ang Kwee Tong	31.05.2005-31.05.2009	0.21	200,000	–
Judith Low Chu Li	31.05.2005-31.05.2009	0.21	200,000	60,000

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.

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

Directors' Report

Audit committee

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

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

During the financial year, the AC held 4 meetings and carried out its functions in accordance with 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 AC;

- 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;

- Reviews the nature and extent of non-audit services provided by 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 AC to the Board of directors with such recommendations as the AC considers appropriate; and

- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Limited (SGX-ST)'s Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Directors' Report

Auditors

Ernst & Young have expressed their willingness to accept reappointment as auditors.

On behalf of the Board of directors,

Benedict Soh Siak Poh
Director

Simon Ong Chin Sim
Director

Singapore
13 March 2008

Statement by Directors

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

(i) the accompanying balance sheets, consolidated income statement, statements of changes in equity, and consolidated cash flow statement, 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 2007 and 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 ended on that date; 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
Director

Simon Ong Chin Sim
Director

Singapore
13 March 2008

Independent 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 (collectively, the "Group") set out on pages 40 to 98, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statements of changes in equity of the Group and the Company, the income statement and cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

(i) 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 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 2007 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and

(ii) 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
13 March 2008

Consolidated Income Statement

for the financial year ended 31 December 2007

	Note	Group 2007 $'000	Group 2006 $'000
Revenue	4	146,131	108,945
Cost of sales		(107,448)	(81,161)
Gross profit		38,683	27,784
Other income	5	2,494	1,456
Depreciation of property, plant and equipment	12	(1,703)	(1,137)
Staff salaries and related expenses	6	(19,045)	(14,917)
Other expenses		(8,277)	(7,344)
Share of results of associates		211	256
Interest expense	7	(95)	(81)
Interest income	8	274	93
Profit before tax	9	12,542	6,110
Income tax expense	10	(2,299)	(1,426)
Profit for the financial year, net of tax		10,243	4,684
Attributable to:			
Equity holders of the parent		9,365	4,937
Minority interests		878	(253)
		10,243	4,684
Earnings per share (cents)	11		
Basic		7.94	4.88
Diluted		7.87	4.88

The accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

at 31 December 2007

	Note	Group 2007	Group 2006	Company 2007	Company 2006
		$'000	$'000	$'000	$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	4,561	4,334	90	125
Intangible assets	13	8,424	1,689	–	–
Investments in subsidiaries	14	–	–	16,516	8,324
Investments in associates	15	5,962	2,334	5,100	1,683
Other investments	16	1,399	543	805	543
		20,346	8,900	22,511	10,675
Current assets					
Inventories	17	111	2	–	–
Gross amount due from customers for contract work-in-progress	18	2,946	2,088	–	–
Trade receivables	19	50,562	32,086	1,465	1,055
Other receivables and deposits	20	3,188	1,879	4,322	3,861
Prepayments		505	142	39	17
Amounts due from subsidiaries	21	–	–	633	853
Cash and cash equivalents	22	21,483	13,127	1,272	41
		78,795	49,324	7,731	5,827
TOTAL ASSETS		99,141	58,224	30,242	16,502
EQUITY AND LIABILITIES					
Current liabilities					
Gross amount due to customers for contract work-in-progress	18	5,999	648	–	–
Trade payables	23	27,930	21,674	193	445
Deferred income	24	2,909	2,837	–	–
Other payables and accruals	25	18,748	10,074	957	387
Amounts due to subsidiaries	21	–	–	2,280	1,299
Interest-bearing loan and borrowings	26	875	635	–	–
Income tax payable		3,681	2,013	478	490
		60,142	37,881	3,908	2,621
NET CURRENT ASSETS		18,653	11,443	3,823	3,206
Non-current liabilities					
Interest-bearing loan and borrowings	26	782	1,046	–	–
Deferred taxation	27	822	136	11	10
		1,604	1,182	11	10
TOTAL LIABILITIES		61,746	39,063	3,919	2,631
NET ASSETS		37,395	19,161	26,323	13,871
Equity attributable to equity holders of the parent					
Share capital	28	21,603	10,982	21,603	10,982
Reserves		14,153	7,538	4,720	2,889
		35,756	18,520	26,323	13,871
Minority interests		1,639	641	–	–
TOTAL EQUITY		37,395	19,161	26,323	13,871
TOTAL EQUITY AND LIABILITIES		99,141	58,224	30,242	16,502

The accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2007

Group	Attributable to equity holders of the Parent						
	Share capital	Share premium	Revenue reserves	Other reserves	Total	Minority interests	Total equity
	(Note 28)			(Note 29)			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2007							
As at 1 January 2007	10,982	–	7,449	89	18,520	641	19,161
Net effect of exchange differences (Note 29(a))	–	–	–	(42)	(42)	23	(19)
Net (expense)/income recognised directly in equity	–	–	–	(42)	(42)	23	(19)
Profit for the financial year	–	–	9,365	–	9,365	878	10,243
Total recognised income/(expense) for the year	–	–	9,365	(42)	9,323	901	10,224
Dividends paid (Note 30)	–	–	(2,479)	–	(2,479)	–	(2,479)
Dividends paid to minority interests	–	–	–	–	–	(30)	(30)
Transfer of share option reserve to share capital	229	–	–	(229)	–	–	–
Shares issued for acquisition of a subsidiary (Note 14)	1,347	–	–	–	1,347	–	1,347
Exercise of employee share options	614	–	–	–	614	–	614
Share issue expense	(329)	–	–	–	(329)	–	(329)
Issuance of ordinary shares by placement	8,760	–	–	–	8,760	–	8,760
Acquisition of minority interest	–	–	–	–	–	112	112
Capital contribution by minority interest	–	–	–	–	–	15	15
As at 31 December 2007	21,603	–	14,335	(182)	35,756	1,639	37,395
2006							
As at 1 January 2006	7,582	3,400	3,523	203	14,708	830	15,538
Net effect of exchange differences (Note 29 (a))	–	–	–	(114)	(114)	(54)	(168)
Net expense recognised directly in equity	–	–	–	(114)	(114)	(54)	(168)
Profit/(loss) for the financial year	–	–	4,937	–	4,937	(253)	4,684
Total recognised income/(expense) for the year	–	–	4,937	(114)	4,823	(307)	4,516
Transfer of share premium reserve to share capital	3,400	(3,400)	–	–	–	–	–
Dividends paid (Note 30)	–	–	(1,011)	–	(1,011)	–	(1,011)
Dividends paid to minority interests	–	–	–	–	–	(36)	(36)
Capital contribution by minority interests	–	–	–	–	–	154	154
As at 31 December 2006	10,982	–	7,449	89	18,520	641	19,161

The accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2007

Company	Share capital	Share premium	Revenue reserves	Other reserves	Total equity
	Attributable to equity holders of the Parent				
	(Note 28)			(Note 29)	
	$'000	$'000	$'000	$'000	$'000
2007					
As at 1 January 2007	10,982	–	2,635	254	13,871
Profit for the financial year	–	–	4,539	–	4,539
Total recognised income and expenses for the year	–	–	4,539	–	4,539
Exercise of share options	614	–	–	–	614
Transfer of share option reserve to share capital	229	–	–	(229)	–
Issuance of ordinary shares by placement	8,760	–	–	–	8,760
Share issue expenses	(329)	–	–	–	(329)
Shares issued for acquisition of a subsidiary (Note 14)	1,347	–	–	–	1,347
Dividends paid (Note 30)	–	–	(2,479)	–	(2,479)
As at 31 December 2007	21,603	–	4,695	25	26,323
2006					
As at 1 January 2006	7,582	3,400	939	254	12,175
Profit for the financial year	–	–	2,707	–	2,707
Total recognised income for the year	–	–	2,707	–	2,707
Transfer of share premium reserve to share capital	3,400	(3,400)	–	–	–
Dividends paid (Note 30)	–	–	(1,011)	–	(1,011)
As at 31 December 2006	10,982	–	2,635	254	13,871

The accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the financial year ended 31 December 2007

	Group	
	2007	2006
	$'000	$'000
Cash flow from operating activities		
Profit before taxation	12,542	6,110
Adjustments for:		
Depreciation of property, plant and equipment	1,703	1,137
(Gain)/loss on disposal of property, plant and equipment	(1)	7
Property, plant and equipment written off	1	57
Bad trade debts recovered	(16)	(4)
Bad trade debts written off	27	159
Allowance for doubtful trade debts	114	1,142
Write-back of allowance for doubtful trade debts	(4)	(49)
Interest income	(274)	(93)
Interest expense	95	81
Share of results of associates	(211)	(256)
Currency realignment	(22)	2
Amortisation of intangible assets acquired	121	–
Operating profit before working capital changes	14,075	8,293
Decrease in contracts work-in-progress (net)	4,929	402
Increase in trade and other receivables	(12,772)	(7,569)
Increase in trade and other payables	8,346	8,034
Increase in inventories	(104)	–
Cash generated from operations	14,474	9,160
Interest paid	(95)	(81)
Interest received	274	93
Tax paid	(1,914)	(150)
Net cash generated from operating activities	12,739	9,022
Cash flow from investing activities		
Acquisitions of property, plant and equipment	(766)	(1,172)
Proceeds from disposal of property, plant and equipment	2	14
Acquisitions of associates	(3,417)	(212)
Acquisitions of other investments	(856)	(109)
Acquisition of subsidiary, net of cash acquired (Note 14)	(3,687)	–
Net cash used in investing activities	(8,724)	(1,479)
Cash flow from financing activities		
Increase in amount pledged to banks for overdraft facilities	(12)	(2)
Dividends paid to equity holders of the Company	(2,479)	(1,011)
Dividends paid to minority shareholders of the subsidiaries	(30)	(36)
Repayment of finance lease obligations	(480)	(206)
Repayment of long-term bank borrowings (net)	(1,807)	(38)
Exercise of employee share options	614	-
Share issue expense	(329)	-
Issuance of ordinary share by placement	8,760	-
Net cash generated from/(used in) financing activities	4,237	(1,293)
Net increase in cash and cash equivalents	8,252	6,250
Cash and cash equivalents at beginning of financial year	12,879	6,629
Cash and cash equivalents at end of financial year (Note 22)	21,131	12,879

The accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2007

1. Corporate information

Kingsmen Creatives Ltd (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Exchange Limited. The registered office and principal place of business of the Company is located at Kingsmen Creative 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 14 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. Summary of 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 (SGD or S$) and all values in the table are rounded to the nearest thousand ($'000) as indicated.

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.

2.2 *Changes in accounting policies*

On 1 January 2007, the Group adopted the following standards which are effective for annual periods beginning on or after 1 January 2007:

Reference	*Description*
Amendment to FRS 1	Revised Presentation of Financial Statements (Capital Disclosures)
FRS 107	Financial Instruments : Disclosures

FRS 107 introduces new disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of the Group, comparative information has been included/revised where appropriate.

Amendment to FRS 1 requires the Group to make disclosures that enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. These disclosures are shown in Note 37 to the financial statements.

Notes to the Financial Statements
31 December 2007

2. Summary of significant accounting policies (cont'd)

2.3 Future changes in accounting policies

The Group has not applied the following FRS and INT FRS that have been issued but not yet effective :-

Reference	*Description*	*Effective for annual periods beginning on or after*
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 111	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	Service Concession Arrangements	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 108 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2.4 Functional and foreign currencies

(a) ***Functional currency***

Management has determined the currency of the primary economic environment in which the Group and the Company operate 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 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 income statement 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 income statement on disposal of the subsidiary.

Notes to the Financial Statements
31 December 2007

2. Summary of significant accounting policies (cont'd)

2.4 *Functional and foreign currencies (cont'd)*

(b) *Foreign currency transactions (cont'd)*

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated income statement.

2.5 *Basis 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 used in the preparation of consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses, and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of the business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.11. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are 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.

2.6 *Transactions with minority interests*

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

Notes to the Financial Statements
31 December 2007

2. Summary of significant accounting policies (cont'd)

2.7 *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. Revenue is measured at the fair value of consideration received or receivable.

(a) ***Contract revenue***

When the contract outcome can be reliably measured :

- Revenue is recognised by reference to the percentage of completion of the contract activity at the balance sheet date where the outcome of a contract can be estimated reliably. 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.

When the contract 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 from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(c) ***Subcontract income, administrative income and corporate fee income***

Revenue is recognised when the services are rendered.

(d) ***Rental income***

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease terms on a straight-line basis.

(e) ***Interest income***

Interest income is recognised using the effective interest rate method.

(f) ***Dividend income***

Dividend income is recognised when the Group's right to receive payment is established.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.8 *Employee benefits*

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(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 the balance sheet date.

(c) *Employee share option plans*

The directors of the Company (including non-executive and independent directors) and employees of the Group receive remuneration in the form of share options as consideration for services rendered.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in the income statement, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to with the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.9 *Property, plant and equipment (cont'd)*

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 income statement. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

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

2.10 *Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment begins when it is available for use and is calculated 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 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 consolidated profit and loss account in the year when the asset is derecognised.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

2.11 *Intangible assets*

(a) *Goodwill*

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:

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.11 Intangible assets (cont'd)

(a) *Goodwill (cont'd)*

- 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 secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is 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. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating 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 fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.4.

Goodwill and fair value adjustments which arose on acquisitions of foreign operations before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(b) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.12 *Investments in subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

2.13 *Investments in associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. This 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.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of 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 deducted from the carrying amount of the investment and is recognised 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, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associates are prepared as of the same reporting date as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

2.14 *Financial assets*

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, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.14 *Financial assets (cont'd)*

(a) *Loans and receivables*

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) *Available-for-sale financial assets*

Available-for sale financial assets are financial assets that are not classified in any of the other categories. After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised directly in the fair value adjustment reserve in equity, except that impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recogised in the income statement when the financial asset is derecognised.

Investments in equity instruments and investment fund whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.15 *Impairment of assets*

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

(a) *Impairment of financial assets*

(i) *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.15 Impairment of assets (cont'd)

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

(ii) *Assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are recognised in the income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

(b) *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes 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 of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. 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 increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss be recognised previously. Such reversal is recognised in the income statement.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.16 *Derecognition of 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.

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 consolidated profit and loss account.

2.17 *Inventories*

Inventories consist of finished goods and materials, comprising mainly packaging materials and 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.

2.18 *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.

2.19 *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank, and short term bank deposits, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flow, cash and cash equivalents are shown as net of short term bank deposits pledged with the banks and outstanding bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.20 *Financial liabilities*

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2.21 *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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 economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 *Leases*

(a) *As lessee*

Finance leases

Finance leases, which 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 income statement. 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 leases

Operating lease payments are recognised as an expense in the income statement 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.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.22 *Leases (cont'd)*

(b) *As lessor*

Leases where the Group 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. The accounting policy for rental income is set out in Note 2.7(d).

2.23 *Income taxes*

(a) *Current tax*

Current tax assets and liabilities for the current and prior periods 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 substantially enacted by the balance sheet date.

Current taxes are recognised in the income statement except that tax relating to items recognised directly in equity is recognised directly in equity.

(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.

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

- Where the deferred tax 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;
- In respect of temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred 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 utilised.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.23 Income taxes (cont'd)

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

Deferred 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.

Deferred taxes are recognised in the income statement except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheets.

2.24 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

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.

2.26 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.

Notes to the Financial Statements

31 December 2007

2. Summary of significant accounting policies (cont'd)

2.27 *Segment reporting*

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.28 *Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.29 *Contingencies*

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Significant accounting estimates and judgements

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1 *Judgements made in applying accounting policies*

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.

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 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.

Notes to the Financial Statements
31 December 2007

3. Significant accounting estimates and judgements (cont'd)

3.1 *Judgements made in applying accounting policies (cont'd)*

Income taxes

The Group has exposures to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's and the Company's provision for income taxes. The Group and the Company recognise 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 amounts of the Group's and the Company's provision for taxation as at 31 December 2007 were $3,681,000 (2006: $2,013,000) and $478,000 (2006: $490,000) respectively. The carrying amounts of the Group's and the Company's deferred taxation as at 31 December 2007 were $822,000 (2006 : $136,000) and $11,000 (2006 : $10,000) respectively.

Intangible assets

The Group recognised intangible assets comprising customer relationship, right representation and event ownership, and goodwill arising from business combinations in accordance with the accounting policy in Note 2.11. As at 31 December 2007, the fair values of the customer relationship, right representation and event ownership, and goodwill arising on acquisition of a subsidiary and associates were determined by management on a provisional basis pending the completion of the valuation exercise (Notes 13,14 and 15).

3.2 *Key sources of estimation uncertainty*

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

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 on consolidation as at 31 December 2007 was $6,733,000 (2006: $1,689,000).

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 2007, there are no indications of impairment and the carrying amounts of the Group's and the Company's property, plant and equipment were $4,561,000 (2006: $4,334,000) and $90,000 (2006: $125,000) respectively.

Useful lives of property, plant and equipment

The costs of property, plant and equipment are depreciated on straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2007 were $4,561,000 (2006 : $4,334,000) and $90,000 (2006 : $125,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements

31 December 2007

3. Significant accounting estimates and judgements (cont'd)

3.2 *Key sources of estimation uncertainty (cont'd)*

Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the balance sheet date is disclosed in Note 19 to the financial statements.

Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the employee share options at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. There are no new grant of share options during the financial year ended 31 December 2007 and 2006.

4. Revenue

	Group	
	2007	**2006**
	$'000	$'000
Contract revenue	141,568	106,093
Sale of goods	2,413	1,237
Subcontract income	1,105	1,061
Rental of equipment	1,045	554
	146,131	108,945

5. Other income

	Group	
	2007	**2006**
	$'000	$'000
Administrative income	45	20
Corporate fee income	778	554
Rental income	1,129	770
Miscellaneous income	542	112
	2,494	1,456

Notes to the Financial Statements

31 December 2007

6. Staff salaries and related expenses

	Group 2007 $'000	Group 2006 $'000
Salaries and employee benefits (including directors' remuneration):		
Salaries, wages and bonuses	17,188	13,393
Contributions to defined contribution plans	1,326	1,057
(Write-back)/provision for unutilised leave	(83)	56
Other employee benefits	614	411
	19,045	14,917

Employee share option plan

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 to enable all directors (including non-executive and independent directors) and employees of the Group to participate in the Scheme.

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. All participants are allowed to exercise the options within the exercise period only if they remain under the employment of the Company. The exercise price for each share in respect of which an option is exercisable shall be determined and fixed by the Remuneration Committee. There are no cash settlement alternatives.

The details of the share options granted are as follows :-

Date of grant	Exercise period	Exercise price $	Balance at 1.1.2007	Options exercised	Balance at 31.12.2007
21.5.2004	21.5.2005 – 21.5.2009	0.25	200,000	(200,000)	–
31.5.2004	31.5.2005 – 31.5.2009	0.21	3,000,000	(2,685,000)	315,000
			3,200,000	(2,885,000)	315,000

There were no options granted during the financial years ended 31 December 2007 and 2006. There were no options exercised during the financial year ended 31 December 2006.

7. Interest expense

	Group 2007 $'000	Group 2006 $'000
Interest expense on:		
- Obligations under finance lease	64	50
- Bank term loan	17	20
- Bank overdrafts	13	11
- Others	1	-
	95	81

Notes to the Financial Statements

31 December 2007

8. Interest income

	Group 2007	Group 2006
	$'000	$'000
Interest income from :		
- Short term deposits	(265)	(76)
- Related parties	(9)	(17)
	(274)	(93)

9. Profit before tax

	Group 2007	Group 2006
	$'000	$'000
The following items have been included in arriving at profit before tax :-		
Directors' fees (Note 34):		
- Directors of the Company	345	275
- Directors of the subsidiaries	110	100
Directors' remuneration (Note 34):		
- Directors of the Company	1,993	1,549
- Directors of the subsidiaries	3,713	2,648
Amortisation of intangible assets (Note 13)	121	–
Bad trade debts recovered	(16)	(4)
Bad trade debts written off (Note 19)	27	159
Allowance for doubtful trade debts (Note 19)	114	1,142
Write-back of allowance for doubtful trade debts (Note 19)	(4)	(49)
Property, plant and equipment written off	1	57
(Gain)/loss on disposal of property, plant and equipment	(1)	7
Operating lease expenses (Note 32)	2,575	2,018
Net foreign exchange loss	493	192

10. Income tax expense

(a) *Major components of income tax expense*

The major components of income tax expense for the financial years ended 31 December 2007 and 2006 are :-

	Group 2007	Group 2006
	$'000	$'000
Current income tax		
- Current income taxation	2,422	1,451
- Underprovision in respect of previous years	15	21
	2,437	1,472
Deferred income tax credit (Note 27)		
- Origination and reversal of temporary differences	(129)	(46)
- Effect of reduction in tax rate	(9)	-
	(138)	(46)
	2,299	1,426

Notes to the Financial Statements

31 December 2007

10. Income tax expense (cont'd)

(b) *Relationship between tax expenses and profit before taxation*

The reconciliation between tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the financial years ended 31 December 2007 and 2006 is as follows:

	Group	
	2007	**2006**
	%	%
Domestic statutory tax rate	18.0	20.0
Tax effect of expenses not deductible for tax purposes	0.9	3.4
Utilisation of group loss relief	(0.3)	–
Effect of temporary differences (recognised)/not recognised	(0.7)	0.2
Tax effect of exempt income	(1.8)	(1.0)
Underprovision in respect of previous years	0.1	0.3
Differences in tax rates of overseas subsidiaries	2.2	0.2
Share of results of associates	(0.3)	(1.1)
Effect of reduction in tax rate	(0.1)	–
Others	0.3	1.3
Effective tax rate	18.3	23.3

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007. The corporate income tax rate applicable to Malaysian companies of the Group was reduced from 28% to 27% and 26% for the year of assessment 2007 and the year of assessment 2008 onwards respectively.

During the financial year, tax losses of $48,000 (2006 : $Nil) have been utilised under the group relief, which are subject to the agreement of the tax authorities.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

11. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Notes to the Financial Statements

31 December 2007

11. Earnings per share (cont'd)

The following tables reflect the profit and loss and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2007	**2006**
	$'000	$'000
Profit for the financial year, net of tax attributable to equity holders of the parent used in the computation of basic and diluted earnings per share	9,365	4,937
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings and loss per share computation	117,976	101,094
Effects of dilution : share options	1,064	–
Weighted average number of ordinary shares for dilution earnings and loss per share computation	119,040	101,094

The number of unissued shares and their exercise prices under options granted under the Kingsmen Share Option Scheme are set out in Note 6 to the financial statements.

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.

Notes to the Financial Statements
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12. 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 2006	235	2,186	2,048	400	569	359	5,797
Additions	–	1,459	480	123	12	107	2,181
Disposals/write-offs	–	(241)	(513)	(23)	(124)	(22)	(923)
Translation differences	(3)	(3)	(15)	(4)	(3)	–	(28)
At 31 December 2006 and 1 January 2007	232	3,401	2,000	496	454	444	7,027
Additions	20	536	348	197	47	20	1,168
Acquisition of a subsidiary	244	68	324	107	32	3	778
Reclassification	–	–	(141)	–	–	141	–
Disposals/write-offs	–	(156)	(157)	(35)	(26)	(20)	(394)
Translation differences	4	(6)	(10)	(9)	(3)	(9)	(33)
At 31 December 2007	500	3,843	2,364	756	504	579	8,546
Accumulated depreciation							
At 1 January 2006	50	851	1,020	161	244	87	2,413
Charge for the financial year	2	598	339	77	53	68	1,137
Disposals/write-offs	–	(199)	(493)	(10)	(121)	(22)	(845)
Translation differences	(1)	(2)	(7)	–	–	(2)	(12)
At 31 December 2006 and 1 January 2007	51	1,248	859	228	176	131	2,693
Reclassification	–	–	(16)	–	–	16	–
Charge for the financial year	11	944	429	108	60	151	1,703
Disposals/write-offs	–	(159)	(172)	(28)	(26)	(7)	(392)
Translation differences	–	8	(14)	(4)	(4)	(5)	(19)
At 31 December 2007	62	2,041	1,086	304	206	286	3,985
Net book value							
At 31 December 2007	438	1,802	1,278	452	298	293	4,561
At 31 December 2006	181	2,153	1,141	268	278	313	4,334

Asset held under finance lease

During the financial year, the Group acquired plant and equipment with an aggregate fair value of $402,000 (2006: $1,009,000) by means of finance leases. As at 31 December 2007, the net book value of plant and equipment held under finance leases at the end of the financial year was $1,350,000 (2006: $1,560,000). These leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

In addition to assets held under finance leases, the leasehold building of the subsidiary in Malaysia, with a net book value of $178,000 (2006: $181,000) is pledged to banks as security for banking facilities granted (Note 26).

Notes to the Financial Statements

31 December 2007

12. Property, plant and equipment (cont'd)

Company	Office equipment and computers	Motor vehicles	Renovations	Total
	$'000	$'000	$'000	$'000
At cost				
At 1 January 2006	228	6	–	234
Additions	39	–	12	51
Write-offs	(10)	–	–	(10)
At 31 December 2006 and 1 January 2007	257	6	12	275
Additions	18	–	–	18
Write-offs	(1)	–	–	(1)
At 31 December 2007	274	6	12	292
Accumulated depreciation				
At 1 January 2006	103	2	–	105
Charge for the financial year	50	1	2	53
Write-offs	(8)	–	–	(8)
At 31 December 2006 and 1 January 2007	145	3	2	150
Charge for the financial year	50	1	2	53
Write-offs	(1)	–	–	(1)
At 31 December 2007	194	4	4	202
Net book value				
At 31 December 2007	80	2	8	90
At 31 December 2006	112	3	10	125

Impairment of assets

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.

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13. Intangible assets

Group	Goodwill	Customer relationship	Total
	$'000	$'000	$'000
Cost :			
At 1 January 2006, 31 December 2006 and 1 January 2007	1,689	–	1,689
Acquisition of subsidiary (Note 14)	5,044	1,812	6,856
At 31 December 2007	6,733	1,812	8,545
Accumulated amortisation :			
At 1 January 2006, 31 December 2006 and 1 January 2007	–	–	–
Amortisation (Note 9)	–	121	121
At 31 December 2007	–	121	121
Net carrying amount :			
At 31 December 2007	6,733	1,691	8,424
At 31 December 2006	1,689	–	1,689

Arising from the acquisition of a subsidiary during the financial year, intangible assets comprising customer relationship of approximately $1,812,000 and goodwill of approximately $5,044,000 were identified and provisionally determined.

The customer relationship intangible assets are amortised over a period of 5 years from the date of acquisition. The amortisation expense is included in the other expenses in the income statement.

Impairment testing of goodwill and customer relationship intangible assets

Goodwill and customer relationship intangible assets have been allocated to two individual cash-generating units ("CGU"), which are reportable segments, for impairment testing as follows:

- Exhibitions and museums segment; and
- Interiors segment.

The carrying amounts of goodwill and customer relationship intangible assets allocated to each of the Group's CGU are as follows:

	Exhibitions and museums segment		Interiors segment		Total	
	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000
Goodwill	4,184	1,410	2,549	279	6,733	1,689
Customer relationship intangible assets	930	–	761	–	1,691	–
	5,114	1,410	3,310	279	8,424	1,689

Notes to the Financial Statements

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13. Intangible assets (cont'd)

To assess impairment of goodwill and customer relationship intangible assets, the Group estimated the value-in-use of the CGU to which the goodwill and intangible assets are allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from each CGU, based on financial budgets approved by management covering a 3 year period. The pre-tax discount rate applied to the cash flow projections was 10.9% (2006: 5.5%) per annum. The discount rate reflects management's estimate of the risks specific to the CGUs, after taking into consideration the major acquisition which took place during the current financial year and approximates the weighted average cost of capital for the Group, and has replaced the discount rate of 5.5% used in the previous year, which was the cost of financing of the Group. The annual growth rates used range from 6% to 20% (2006: 3%) which are based on best estimates from the forecasted growth rates of the industry relevant to the CGUs. The assessment has led to management's conclusion that no impairment loss is required to be recognised.

14. Investments in subsidiaries

	Company	
	2007	**2006**
	$'000	$'000
Unquoted equity shares, at cost	15,257	8,324
Issuance of shares for acquisition of subsidiary	1,347	–
	16,604	8,324
Less: Impairment loss	(88)	–
	16,516	8,324

Management has assessed the recoverable amount of an investment in one of the subsidiaries where impairment indicators existed as at year end. Based on the assessment using fair value less cost to sell approach, impairment loss of $88,000 (2006 : $Nil) was recognised as at 31 December 2007.

Details of subsidiaries as at 31 December are as follows:

Name of Company (Country of incorporation and business)	**Principal activities**	**Effective equity interest held by the Group**		**Cost**	
		2007	**2006**	**2007**	**2006**
		%	%	$'000	$'000
Held by the Company					
Kingsmen Exhibits Pte Ltd (a) (Singapore)	Advertising contractors and agents; design and production of exhibitions, decorations and museums	100	100	1,562	1,562
Kingsmen Projects Pte Ltd (a) (Singapore)	Design and production of architectural interiors, decorations and museums	100	100	2,121	2,121
Kingsmen Design Pte Ltd (a) (Singapore)	Design consultancy, and planning management	100	100	839	839

Notes to the Financial Statements

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14. Investments in subsidiaries (cont'd)

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group 2007	Effective equity interest held by the Group 2006	Cost 2007	Cost 2006
		%	%	$'000	$'000
Held by the Company					
Kingsmen Ooh-media Pte Ltd (a) (Singapore)	Advertising services, consultancy event management and marketing communication	70	70	*175	140
Hi-Light Electrical Pte Ltd (a) (Singapore)	Electrical engineering	80	80	301	301
I-Promo Events & Marketing Pte Ltd (a) (Singapore)	Interactive promotion services	70	70	171	171
Kingsmen Indochina Pte Ltd (a) (Singapore)	Design and production of architectural interiors, decorations and museums	90	90	2,158	2,158
Kingsmen Sdn Bhd (b) (Malaysia)	Design and production of interiors, exhibitions, decorations and museums	71	71	797	797
PT Kingsmen Indonesia (c) (Indonesia)	Design and production of interiors, exhibitions, decorations and museums	95	95	235	235
Kingsmen (North Asia) Limited (d) (Hong Kong)	Investment holding	80.5	–	8,245	–
				16,604	8,324

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group 2007	Effective equity interest held by the Group 2006
		%	%
Held through Kingsmen Exhibits Pte Ltd			
Kingsmen Environmental Graphics Pte Ltd (a) (Singapore)	Graphic design and productions	80	80

Notes to the Financial Statements

31 December 2007

14. Investments in subsidiaries (cont'd)

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group 2007	2006
		%	%
Held through Kingsmen Projects Pte Ltd			
K-Fix Production Sdn. Bhd. (e) (Malaysia)	Manufacturer, wholesale and trader of interior and exhibition furniture, fixtures and displays	100	100
Held through Kingsmen Indochina Pte Ltd			
Kingsmen Vietnam Co., Ltd (f) (Vietnam)	Design and production of interiors, exhibitions, decorations and museums	90	90
Held through Kingsmen Sdn Bhd			
Keb Designers & Producers Sdn Bhd (b) (Malaysia)	Design and production of interiors, exhibitions, decorations and museums	71	71
Kingsmen-Keb Systems Sdn Bhd (b) (Malaysia)	Design and production of interiors, exhibitions, decorations and museums	71	71
Kingsmen Environmental Graphics Sdn Bhd (b) (Malaysia)	Design and production of interiors, exhibitions, decorations and museums	56.8	56.8
Held through Kingsmen (North Asia) Limited			
Kingsmen Hong Kong Limited (d) (Hong Kong)	Exhibition and shows consultancy	78.9	-
Kingsmen Beijing Co., Limited (d) (The People's Republic of China)	Exhibition and shows consultancy	80.5	-
Kingsmen Shanghai Co., Limited (d) (The People's Republic of China)	Exhibition and shows consultancy	80.5	-
Kingsmen Taiwan International Co., Limited (d) (Taiwan)	Exhibition and shows consultancy	80.5	-
Kingsmen Macao Limited (d) (Macao)	Exhibition and shows consultancy	80.5	-

Notes to the Financial Statements

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14. Investments in subsidiaries (cont'd)

(a) Audited by Ernst & Young, Singapore.
(b) Audited by Ernst & Young, Malaysia.
(c) Not required to be audited by law in its country of incorporation.
(d) Audited by HLB Hodgson Impey Cheng, Hong Kong.
(e) Audited by Haniff Lee & Co. Chartered Accountants, Malaysia.
(f) Audited by Auditing and Consulting Joint Stock Company, Vietnam.
* During the financial year, the Company subscribed for additional shares by way of capitalisation of amount due from the subsidiary company.

Acquisition of subsidiary

On 11 September 2007, the Company acquired 50.5% equity interest in Kingsmen (North Asia) Limited ("KNA"). Upon the acquisition, KNA became a subsidiary of the Company. Subsequently on 20 November 2007, the Company acquired a further 30% equity interest in KNA, and as a result, the Company's shareholding in KNA increased to 80.5%.

The fair values of the identifiable assets and liabilities of KNA as at the dates of acquisition were:

	Recognised on dates of acquisition	Carrying amount before combination
	$'000	$'000
Intangible assets (provisionally determined) (Note 13)	1,812	–
Property, plant and equipment	778	778
Trade and other receivables	7,497	7,497
Inventories	5	5
Contracts work-in-progress (net)	436	436
Cash and cash equivalents	3,211	3,211
	13,739	11,927
Trade and other payables	(6,656)	(6,656)
Income tax payable	(1,146)	(1,146)
Deferred taxation (provisionally determined)	(824)	(292)
Interest-bearing loans and borrowings	(1,769)	(1,769)
Minority interests	(143)	(31)
	(10,538)	(9,894)
Net identifiable assets	3,201	2,033

Notes to the Financial Statements
31 December 2007

14. Investments in subsidiaries (cont'd)

Total cost of business combination

The total cost of the business combination is as follows:

	$'000
Consideration for 50.5% equity interest acquired on 11 September 2007:	
Cash paid	5,124
Directly attributable expenses	245
	5,369
Consideration for additional 30% equity interest acquired on 20 November 2007:	
Cash paid	1,522
2,495,082 ordinary shares issued with fair value of $0.54 each, before the published price of the shares at the date of exchange to the vendor (Note 28)	1,347
Directly attributable expenses	7
	2,876
Total cost	8,245

The effect of acquisition on cash flows is as follows:	
Total consideration for 80.5% equity interest acquired	8,245
Less: Non-cash consideration	(1,347)
Consideration settled in cash	6,898
Less: Cash and cash equivalents of subsidiary acquired	(3,211)
Net cash inflow on acquisition	3,687

Impact of acquisition on income statement

From the date of acquisition, KNA has contributed $1,098,000 to the Group's profit net of tax. If the combination had taken place at the beginning of the financial year, the Group's profit net of tax would have been $10,850,000 and revenue would have been $164,508,000.

Goodwill arising on acquisition

Goodwill of approximately $5,044,000 (Note 13) arose from the acquisition of 80.5% equity interest in KNA is provisionally determined and is attributable to customer loyalty, potential market share and significant synergies expected to arise after the acquisition.

Provisional accounting of acquisition

As at 31 December 2007, the fair value of the intangible assets arising mainly from customer relationship amounting to approximately $1,812,000 has been determined by management on a provisional basis pending the completion of the valuation exercise. Goodwill arising from this acquisition, the carrying amount of the customer relationship intangible assets and deferred tax liability will be adjusted accordingly on a retrospective basis, if the adjustments are material, when the valuation exercise is finalised.

Notes to the Financial Statements
31 December 2007

15. Investments in associates

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	5,100	1,683	5,100	1,683
Share of post-acquisition reserves	862	651	–	–
Carrying amount of associates	5,962	2,334	5,100	1,683

Acquisition of associates during the financial year identified the following goodwill and intangible assets whose values were provisionally determined, pending the completion of the valuation exercise:

	Group	
	2007	2006
	$'000	$'000
Goodwill	3,614	970
Right representation and event ownership	351	–
Customer relationship	236	-
	4,201	970

Acquisition of associates

On 29 June 2007, the Company acquired 30% equity interest in Enterprise Sports Group Pte Ltd ("ESG") for a cash consideration of $585,000. Based on the sale and purchase agreement, an additional cash consideration totalling $195,000 (Note 23) will be payable should ESG meet certain stipulated cumulative profit before tax over the financial year ended 31 December 2007, and the financial years ending 31 December 2008 and 2009. In view that it is probable for ESG to attain the 3 years' profit guarantees, the cost of acquisition was recorded as $780,000.

The Company also acquired 25% equity interest in Kingsmen Middle East LLC ("KME") on 26 December 2007 for a cash consideration of $2,637,000.

Impact of acquisition on income statement

From the date of acquisition, ESG has contributed $69,000 to the Group's profit net of tax. If the acquisition of ESG and KME had taken place at the beginning of the financial year, the Group's profit net of tax would have been $10,318,000.

Goodwill arising on acquisition

Goodwill arising from acquisition has been recorded under unquoted equity shares, at cost and tested for impairment on an annual basis. To assess impairment of goodwill, the Group estimated the value-in-use of the CGUs 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 each CGU, based on financial budgets approved by management covering a reasonable period of time, and using a pre-tax discount rate of 10.9% (2006: 5.5%) per annum. The discount rate reflects management's estimate of the risks specific to the CGUs, after taking into consideration the major acquisition which took place during the current financial year and approximates the weighted average cost of capital for the Group and has replaced the discount rate of 5.5% used in the previous year, which was the cost of financing of the Group. The annual growth rates used range from 3% to 17% (2006: 3%) which are based on best estimates for the forecasted growth rates of the industry relevant to the CGUs. The assessment has led to management's conclusion that no impairment loss is required to be recognised.

Notes to the Financial Statements

31 December 2007

15. Investments in associates (cont'd)

Intangible assets arising on acquisition

Right representation and event ownership intangible assets for ESG and customer relationship intangible assets for KME were identified and provisionally determined by management. The intangible assets are amortised over a period of 5 years from the date of acquisition.

Details of associates as at 31 December are as follows:

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group		Cost of investment	
		2007	2006	2007	2006
		%	%	$'000	$'000
Ascend Computer Rental Pte Ltd (i) (Singapore)	Renting and selling audio-visual, computer and peripheral equipment	40	40	367	367
Kingsmen Korea Limited (ii) (Korea)	Design and production of architectural interiors, decorations and museums	30	30	753	753
Kingsmen Nikko Limited (ii) (Japan)	Advertising contractors and agents; design and production of exhibitions, decorations and museums	30	30	563	563
Kingsmen Middle East LLC (iii) (UAE)	Manufacturing of display stands and exhibition stands	25	–	2,637	–
Enterprise Sports Group Pte Ltd (iv) (Singapore)	Sports event marketing public relations and organising	30	–	780	–
				5,100	1,683

Notes to the Financial Statements

31 December 2007

15. Investments in associates (cont'd)

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group 2007 %	2006 %
Held through Ascend Computer Rental Pte Ltd			
Ascend AV Solutions Pte Ltd (i) (Singapore)	Sales of audio visual equipment	40	40
Ascend Network Solutions Pte Ltd (i) (Singapore)	Network consulting and solutions provider	30	30

(i) Audited by C Y Ng & Co, Singapore.
(ii) Not required to be audited by law in its country of incorporation.
(iii) Audited by Puthran Chartered Accountants, United Arab Emirates.
(iv) Audited by VC Assurance PAC, Singapore.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2007	2006
	$'000	$'000
Assets and liabilities:		
Current assets	10,235	7,441
Non-current assets	10,342	4,900
Total assets	20,577	12,341
Current liabilities	12,794	8,228
Non-current liabilities	2,409	75
Total liabilities	15,203	8,303
Results:		
Revenue	30,593	27,613
Profit for the financial year	782	814

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16. Other investments

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Available-for-sale financial assets :				
Unquoted equity shares	905	643	905	643
Unquoted investment fund	594	–	–	–
Allowance for impairment loss	(100)	(100)	(100)	(100)
	1,399	543	805	543

Unquoted equity shares

The unquoted equity shares are measured at cost less impairment loss if any. At the end of the financial year, the Group and the Company assess the potential impairment in unquoted equity shares by comparing the carrying amount and the present value of estimated future cash flows from identified cash generating unit, based on the approved financial budget covering a reasonable period of time using current market rate of return. No additional allowance for impairment on unquoted equity shares is necessary based on this assessment.

Unquoted investment fund

The unquoted investment fund is based in the People's Republic of China, and measured at cost less impairment loss if any. Management is of the opinion that the fair value cannot be measured reliably as it does not have a quoted market and must be settled by delivery of such unquoted investment fund. No impairment loss is recognised for the unquoted investment fund.

17. Inventories

	Group	
	2007	2006
	$'000	$'000
Balance sheet		
Packaging materials	47	–
Finished goods	64	2
	111	2
Inventories are stated after deducting allowance for obsolescence	32	32
Income statement :		
Inventories recognised as an expense in cost of sales	771	219

Notes to the Financial Statements

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18. Gross amount due from/(to) customers for contracts work-in-progress

	Group	
	2007	2006
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses to date)	9,245	3,786
Less: Progress billings	(12,298)	(2,346)
	(3,053)	1,440
Presented as :		
Gross amount due from customers for contract work	2,946	2,088
Gross amount due to customers for contract work	(5,999)	(648)
	(3,053)	1,440

In respect of the contracts work-in-progress at 31 December 2007 and 2006, the following are included in external parties trade receivables (Note 19) :

Retention sums	203	517
Advance billings (Note 24)	2,166	2,245
	2,369	2,762

19. Trade receivables

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Subsidiaries (2)	–	–	643	281
External parties	47,697	30,254	47	28
Related parties (2)	2,725	3,599	262	591
Associates (2)	2,327	332	513	155
Total trade receivables (1)	52,749	34,185	1,465	1,055
Allowance for doubtful trade debts (3)	(2,187)	(2,099)	–	–
Carrying amounts of trade receivables	50,562	32,086	1,465	1,055
Bad trade debts written off (Note 9)	27	159	–	–

(1) Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. At 31 December 2007, included in trade receivables is an amount of $2,369,000 (2006 : $2,762,000) (Note 18), which relates to retention sums and advance billings.

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

(3) For the financial year ended 31 December 2007, an allowance for doubtful trade debts and bad trade debts written off of $114,000 (2006: $1,142,000) and $27,000 (2006: $159,000) respectively were recognised in the consolidated Income statement, subsequent to a debt recovery assessment performed on the Group's trade receivables as at 31 December 2007.

Notes to the Financial Statements

31 December 2007

19. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $13,407,000 (2006: $5,790,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2007	**2006**
	$'000	$'000
Trade receivables past due:		
Lesser than 30 days	5,880	1,788
30 to 60 days	1,361	500
61 to 90 days	617	749
More than 90 days	5,549	2,753
	13,407	5,790

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2007	**2006**
	$'000	$'000
Trade receivables – nominal amounts	2,201	2,101
Less: Allowance for impairment	(2,187)	(2,099)
	14	2
Movement in allowance account:		
At 1 January	2,099	1,281
Charge for the year (Note 9)	114	1,142
Written back (Note 9)	(4)	(49)
Written off	–	(243)
Exchange differences	(22)	(32)
At 31 December	2,187	2,099

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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20. Other receivables and deposits

	Group 2007	Group 2006	Company 2007	Company 2006
	$'000	$'000	$'000	$'000
Other receivables	1,203	274	–	–
Staff advances [1]	303	120	–	5
Deposits	669	403	1	–
Income tax recoverable	1,013	1,082	648	846
Dividends receivable	–	–	3,673	3,010
	3,188	1,879	4,322	3,861

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

All the Company's other receivables and deposits as at 31 December 2007 and 2006 are denominated in Singapore dollars.

21. Amounts due from/(to) subsidiaries

Company

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, bear interest at 5% (2006: 5%) per annum and are repayable on demand. These balances relate to advances made to/received from subsidiaries for working capital purposes.

The amounts due from/(to) subsidiaries are denominated in Singapore dollars.

22. Cash and cash equivalents

	Group 2007	Group 2006	Company 2007	Company 2006
	$'000	$'000	$'000	$'000
Short-term deposits	5,868	6,581	1,023	–
Cash at banks and in hand	15,615	6,546	249	41
	21,483	13,127	1,272	41

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are placed for varying periods of between 1 week and 6 months (2006 : 1 week to 6 months) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

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22. Cash and cash equivalents (cont'd)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the balance sheet date :

	Group	
	2007	2006
	$'000	$'000
Cash at bank and in hand	15,615	6,546
Short-term deposits	5,868	6,581
Bank overdrafts (Note 26)	(195)	(103)
	21,288	13,024
Amount pledged to banks for overdraft facilities	(157)	(145)
Cash and cash equivalents	21,131	12,879

23. Trade payables

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Subsidiaries [1]	–	–	30	–
External parties [2]	26,191	20,234	159	183
Related parties [1]	476	883	–	262
Associates [1]	1,254	557	4	–
Director	9	–	–	–
Total trade payables	27,930	21,674	193	445

(1) The amounts due to subsidiaries, 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) Included an amount of deferred cash settlement of $195,000 (2006: $Nil) relating to the acquisition of an associate.

24. Deferred income

Group

This refers to advance billings to customers for projects that would commence within the next 12 months from the balance sheet date. An amount of $743,000 (2006: $592,000) was received as at year end.

25. Other payables and accruals

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Accruals	13,067	7,526	579	201
Deposits received	100	53	24	–
Other payables	5,185	2,113	226	61
Advance rental billing	18	–	112	98
Provision for unutilised leave	378	382	16	27
	18,748	10,074	957	387

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25. Other payables and accruals (cont'd)

In 2007, included in other payables of the Group are amounts due to related parties and associates of $18,000 (2006: $134,000) and $106,000 (2006: $3,000) respectively, and are non-trade in nature, unsecured, interest-free and repayable on demand.

Included in other payables and advance rental billing of the Company are amounts due to subsidiaries of $53,000 (2006: $20,000) and $94,000 (2006: $98,000) respectively. The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

26. Interest-bearing loan and borrowings

		Group	
	Maturity	2007	2006
		$'000	$'000
Current:			
Obligations under finance leases (Note 31)	2008	640	495
Bank overdrafts (Note 22)	On demand	195	103
Bank term loan			
- MYR bank term loan at BLR+1.5% p.a.	2008	40	37
		875	635
Non-current:			
Obligations under finance leases (Note 31)	2009-2014	632	855
Bank term loan			
- MYR bank term loan at BLR+1.5% p.a.	2009-2012	150	191
		782	1,046
Total interest-bearing loans and borrowings		1,657	1,681

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 12). The average discount rate implicit in the leases is 3.2% p.a. (2006 : 3.2% p.a.). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

Bank overdrafts

Bank overdrafts are denominated in Malaysia Ringgit ("MYR") and Hong Kong Dollars, bear interest at bank lending rate ("BLR") +1% to 2% (2006: 2%) p.a. and are secured by fixed deposits pledged to the banks and personal guarantees given by certain directors of its subsidiaries.

MYR bank term loan at BLR+1.5% p.a.

This bank term loan is fully repayable on 1 June 2012 and is secured by the following :

(a) a first legal mortgage on the leasehold building of a subsidiary in Malaysia (Note 12); and

(b) the joint and several personal guarantees of certain directors of the Company and its subsidiaries.

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27. Deferred taxation

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
As at 1 January	136	182	10	9
Arising from acquisition of subsidiary	824	–	–	–
(Credit)/charge during the financial year (Note 10)	(138)	(46)	1	1
As at 31 December	822	136	11	10

Deferred taxation as at 31 December relates to the following:

	Group		Company	
	2007	2006	2007	2006
Deferred tax liabilities:				
Differences in depreciation	219	216	14	15
Intangible assets	497	–	–	–
Sales tax	245	–	–	–
Others	12	–	–	–
Gross deferred tax liabilities	973	216	14	15
Deferred tax assets:				
Provision for unutilised leave	(72)	(78)	(3)	(5)
Unabsorbed tax losses and unutilised capital allowances	(6)	-	–	–
Others	(73)	(2)	–	–
Gross deferred tax assets	(151)	(80)	(3)	(5)
Net deferred tax liabilities	822	136	11	10

Unrecognised tax losses

As at 31 December 2007, the Group has unabsorbed tax losses and unutilised capital allowances carried forward totalling approximately $578,000 (2006: $50,000), available for offset against future taxable income. The potential deferred tax assets arising from these unabsorbed tax losses and unutilised capital allowances have not been recognised as taxable profits from the subsidiary companies against which the deferred tax assets can be utilised, are uncertain.

Tax consequences of proposed dividends

There are no income tax consequences (2006: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 30).

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28. Share capital

	Group and Company	
	2007	2006
	$'000	$'000
Issued and fully paid-up share capital:		
As at 1 January		
101,093,690 (2006: 101,093,690) ordinary shares	10,982	7,582
Transfer of share premium reserve to share capital	–	3,400
Exercise of employee share options	843	–
Issuance of ordinary shares by placement	8,760	–
Share issue expenses	(329)	–
Issued for acquisition of a subsidiary (Note 14)	1,347	–
As at 31 December		
126,473,772 (2006: 101,093,690) ordinary shares	21,603	10,982

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 6 to the financial statements.

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium reserve became part of the Company's share capital.

29. Other reserves

(a) *Foreign currency translation reserve*

Foreign currency translation reserve relates 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		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
As at 1 January	(165)	(51)	–	–
Net effect of exchange differences arising from translation of financial statements of foreign operations	(42)	(114)	–	–
As at 31 December	(207)	(165)	–	–

(b) *Share option reserve*

Share option reserve represents the equity-settled share 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 reserve is not available for distribution as dividends.

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29. Other reserves (cont'd)

(b) *Share option reserve (cont'd)*

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
As at 1 January	254	254	254	254
Exercise of share options	(229)	–	(229)	–
As at 31 December	25	254	25	254
Total other reserves	(182)	89	25	254

30. Dividends paid

	Group and Company	
	2007	2006
	$'000	$'000
Final dividends of 2.00 (2006: 1.00) cents paid in respect of the previous financial year	2,479	1,011

The directors propose that a final dividend of 2.00 (2006: 1.50) cents per ordinary share, one-tier tax-exempt, amounting to $2,529,000 (2006: $1,517,000) and a special dividend of 1.00 (2006 : 0.50) cents per ordinary share, one-tier tax-exempt, amounting to $1,265,000 (2006 : $506,000) be paid in respect of the financial year ended 31 December 2007, subject to approval by Shareholders at the Annual General Meeting of the Company on 28 April 2008. This dividend has not been accrued for in the financial statements in accordance with Singapore Financial Reporting Standards.

31. Finance lease obligations

The Group has entered into leases for its plant and equipment as lessee. There are no restrictions placed upon the Group by entering into these leases.

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

	Group			
	2007		2006	
	Minimum payment	Present value of payment (Note 26)	Minimum payment	Present value of payment (Note 26)
	$'000	$'000	$'000	$'000
Payable within one year	718	640	556	495
Payable within two to five years	658	622	904	848
Payable after five years	11	10	8	7
Total minimum lease payments	1,387	1,272	1,468	1,350
Less: Amounts representing finance charges	(115)	–	(118)	–
Present values of minimum lease payments	1,272	1,272	1,350	1,350

Notes to the Financial Statements

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31. Finance lease obligations (cont'd)

Finance lease liabilities of the Group are secured by the rights to the leased plant and equipment (Note 12). The lease terms of such finance lease obligations range from 1 to 7 (2006: 1 to 7) years. The average effective interest rate implicit in the finance lease obligations is 3.20% (2006: 3.20%) per annum.

32. Operating lease commitments

As lessee

The Group has entered into a lease agreement for office premises. These leases have an average life of between 1 to 9 (2006 : 1 to 9) years with no renewal option or contingent rent provision included in the contracts. There are no restrictions placed upon the Group by entering into these leases. Operating lease payments recognised in the consolidated income statement during the financial year amounted to $2,575,000 (2006 : $2,018,000).

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

	Group	
	2007	**2006**
	$'000	$'000
Within one year	2,422	1,970
Within two to five years	6,442	6,046
After five years	5,160	5,114
	14,024	13,130

As lessor

The Group and the Company have entered into lease agreements for office premises and machineries. These non-cancellable leases have remaining non-cancellable lease terms of between 2 to 3 (2006 : 2 to 3) years with no renewal option or contingent rent provision included in the contracts.

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

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Within one year	551	600	1,280	1,307
Within two to five years	909	832	73	1,187
After 5 years	696	–	–	–
	2,156	1,432	1,353	2,494

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33. Performance guarantees

	Group		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
Performance guarantees given to customers	1,564	739	693	–

The performance guarantees are secured by leasehold property of one of the subsidiaries; fixed deposits of certain subsidiaries; corporate guarantee of the Company; joint and several guarantees of certain directors of the Group; and counter indemnity from one of the subsidiaries.

34. Significant related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions, between the Group and related parties took place at terms agreed between the parties during the financial years:

	Group	
	2007	2006
	$'000	$'000
Associates :		
Sales	(918)	(479)
Purchases	1,619	311
Corporate fee income	(194)	(177)
Director of the Company :		
Sales	(3)	–
Related parties :		
Sales	(2,537)	(5,601)
Purchases	1,210	700
Corporate fee income	(584)	(377)
Rental expense – office premises	105	1,261
Interest income	–	(13)
Administrative income	–	(12)

(b) *Compensation of key management personnel*

Short-term employee benefits (including directors' fees)	6,013	4,043
Contributions to defined contribution plans	148	154
Total compensation paid to key management personnel*	6,161	4,197
* *Comprises amounts paid to :*		
Directors of the Company (Note 9)	2,338	1,824
Other key management personnel (Note 9)	3,823	2,748
	6,161	4,572

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

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35. Segment information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically.

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.

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 and non-trade assets, liabilities and expenses, income tax and deferred tax assets and liabilities, loans and borrowings and related 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.

Notes to the Financial Statements

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35. Segment information (cont'd)

Business segments

2007	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	50,440	87,927	4,336	3,428	–	–	146,131
Inter-segment sales	3,904	11,063	–	–	–	(14,967)	–
Total	54,344	98,990	4,336	3,428	–	(14,967)	146,131
Segment results	5,208	6,414	890	259	(620)	–	12,151
Interest expense							(95)
Interest income							274
Share of results of associates	156	56	–	–	–	–	212
Profit before tax							12,542
Income tax expense							(2,299)
Profit for the financial year							10,243
Assets and liabilities							
Segment assets	22,972	39,134	1,314	1,412	–	–	64,832
Investments in associates	3,695	2,267	–	–	–	–	5,962
Unallocated assets							28,347
Total assets							99,141
Segment liabilities	14,941	21,941	22	495	–	–	37,399
Unallocated liabilities							24,347
Total liabilities							61,746
Other segment information:							
Capital expenditure							
- Tangible assets	387	680	32	36	33	–	1,168
- Intangible assets	930	761	–	–	–	–	1,691
Depreciation of property, plant and equipment	551	970	106	23	53	–	1,703
Bad trade debts recovered	(11)	(3)	(2)	–	–	–	(16)
Bad trade debts written off	2	–	25	–	–	–	27
Gain on disposal of property, plant and equipment	(1)	–	–	–	–	–	(1)
Write-back of allowance for doubtful trade debts	(1)	–	–	–	–	–	(1)
Amortisation of intangible assets acquired	67	54	–	–	–	–	121
Allowance for doubtful trade debts	40	74	–	–	–	–	114
Property, plant and equipment written off	2	2	–	–	–	–	4

Notes to the Financial Statements
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35. Segment information (cont'd)

Business segments

2006	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	46,794	56,039	3,453	2,659	–	–	108,945
Inter-segment sales	1,711	4,060	–	–	–	(5,771)	–
Total	48,505	60,099	3,453	2,659	–	(5,771)	108,945
Segment results	1,825	3,746	740	59	(528)	–	5,842
Interest expense							(81)
Interest income							93
Share of results of associates	201	55	–	–	–	–	256
Profit before tax							6,110
Income tax expense							(1,426)
Profit for the financial year							4,684
Assets and liabilities							
Segment assets	12,500	24,153	719	890	248	–	38,510
Investments in associates	1,442	892	–	–	–	–	2,334
Unallocated assets							17,380
Total assets							58,224
Segment liabilities	9,218	15,334	33	538	36	–	25,159
Unallocated liabilities							13,904
Total liabilities							39,063
Other segment information:							
Capital expenditure	282	1,822	12	11	54	–	2,181
Depreciation of property, plant and equipment	502	467	78	37	53	–	1,137
Property, plant and equipment written off	37	14	4	–	–	2	57
Bad trade debts recovered	(4)	–	–	–	–	–	(4)
Bad trade debts written off	111	48	–	–	–	–	159
Allowance for doubtful trade debts	935	207	–	–	–	–	1,142
Write-back of allowance for doubtful trade debts	(1)	(48)	–	–	–	–	(49)
Loss on disposal of property, plant and equipment	7	–	–	–	–	–	7

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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	
	2007	**2006**
	$'000	$'000
Sales by geographical segments are as follows:		
Singapore	61,042	59,109
Malaysia	25,174	12,323
Europe	14,889	7,113
Greater China	12,008	3,060
Indonesia	8,526	4,606
Middle East	5,535	1,174
United States and Canada	4,811	6,998
Vietnam	3,666	5,181
Rest of Asia	10,127	8,973
Others	353	408
	146,131	108,945
Carrying amounts of segment assets by geographical segments are as follows:		
Singapore	68,566	47,410
Malaysia	14,013	7,029
Indonesia	4,042	1,936
Vietnam	1,390	1,849
Greater China	11,130	–
	99,141	58,224
Additions to property, plant and equipment by geographical segments are as follows:		
Singapore	798	1,668
Malaysia	123	386
Indonesia	75	32
Vietnam	–	95
Greater China	172	–
	1,168	2,181

Notes to the Financial Statements
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36. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Finance Controller. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Notes to the Financial Statements

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

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows :

	Group			
	2007		**2006**	
	$'000	% of total	$'000	% of total
By industry sectors:				
Exhibitions and museum	16,148	32.2	10,719	33.4
Interiors	31,658	63.0	19,805	61.7
Research and design	1,052	2.1	610	1.9
Integrated marketing communication	1,286	2.6	845	2.6
Corporate and others	79	0.1	107	0.4
Total receivables	50,223	100.0	32,086	100.0

	Group		**Company**	
	2007	**2006**	**2007**	**2006**
	$'000	$'000	$'000	$'000
Financial assets – loans and receivables:				
Trade receivables	50,562	32,086	1,465	1,055
Other receivables and deposits	3,188	1,879	4,322	3,861
Amounts due from subsidiaries	–	–	633	853
Cash and cash equivalents	21,483	13,127	1,272	41
Total loans and receivables	75,233	47,092	7,692	5,810

At the balance sheet date, approximately:

- 17% (2006: 13%) of the Group's trade receivables were due from 5 major customers who are located in Asia and Europe; and

- 9% (2006: 12%) of the Group's trade and other receivables were due from related parties and associates while almost all of the Company's receivables were balances with related parties, associates and subsidiaries.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents and other investments not impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19, Trade Receivables.

Notes to the Financial Statements

31 December 2007

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

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, MYR, Chinese Renminbi (RMB) and Hong Kong Dollar (HKD). The foreign currencies in which these transactions are denominated are mainly MYR and U.S Dollars (USD). Approximately 40% (2006: 20%) of the Group's sales are denominated in foreign currencies whilst almost 90% (2006: 80%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payables at the balance sheet date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances (mainly in USD) amount to $10,083,000 (2006 : $2,136,000) and $Nil (2006 : $Nil) for the Group and the Company respectively.

It is the Group's policy not to enter into forward currency contracts until a firm commitment is in place. At 31 December 2007, the Group did not have any outstanding forward currency contracts.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Indonesia, Hong Kong, Japan, Korea, UAE and Vietnam.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, RMB and MYR exchange rates (against SGD), with all other variables held constant, of the Group's profit net of tax.

		Group	
		2007	**2006**
		Profit net of tax	**Profit net of tax**
		$'000	$'000
USD	- strengthened 3% (2006: 3%)	+118	+57
	- weakened 3% (2006: 3%)	–118	–57
RMB	- strengthened 3% (2006: 3%)	+60	–
	- weakened 3% (2006: 3%)	–60	–
MYR	- strengthened 3% (2006: 3%)	+139	+3
	- weakened 3% (2006: 3%)	–139	-3

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loan and borrowings and short term deposits. 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. The Group's and Company's financial assets and liabilities at floating rates are continually repriced at intervals of less than 6 months (2006 : less than 6 months) from the balance sheet date. Information relating to the Group's interest rate exposure is disclosed in Notes 22, 26 and 31 to the financial statements.

Notes to the Financial Statements
31 December 2007

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

Sensitivity analysis for interest rate risk

At the balance sheet date, if MYR interest rates had been 75 (2006: 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $2,000 (2006: $2,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loan and borrowings.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with different banks and to ensure sufficient funds to meet the repayment of loans and borrowings that will mature in the next one year period. At the balance sheet date, approximately 53% (2006: 38%) of the Group's loan and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements. None (2006: none) of the Company's loans and borrowings will mature in less than one year at the balance sheet date.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2007				2006			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Trade and other payables	46,678	–	–	46,678	31,748	–	–	31,748
Loan and borrowings	875	772	10	1,657	635	1,038	8	1,681
Total financial liabilities	47,553	772	10	48,335	32,383	1,038	8	33,429
Company								
Trade and other payables	1,150	–	–	1,150	734	–	–	734
Amounts due to subsidiaries	2,280	–	–	2,280	1,397	–	–	1,397
Total financial liabilities	3,430	–	–	3,430	2,131	–	–	2,131

Notes to the Financial Statements

31 December 2007

37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loan and borrowings, and trade and other payables. Capital includes equity attributable to the equity holders of the parent.

	Group	
	2007	**2006**
	$'000	$'000
Loan and borrowings (Note 26)	1,657	1,681
Trade and other payables (Notes 23 and 25)	46,678	31,748
Net debt	48,335	33,429
Equity attributable to the equity holders of the parent	35,756	18,520
Capital and net debt	84,091	51,949
Gearing ratio	57%	64%

38. Fair values of financial instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

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

(i) *Cash and cash equivalents, other receivables and deposits, other payables and accruals, amounts due from/(to) subsidiaries (non-trade), and current bank term loan*

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) *Available for sale financial assets : Other investments*

In the directors' opinion, the fair values of the unquoted equity shares and investment fund 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.

Notes to the Financial Statements
31 December 2007

38. Fair values of financial instruments (cont'd)

(iv) *Financial liabilities at amortisation cost: Financial lease obligations*

Set out below is a comparison of carrying amount and fair value of the Group's finance lease obligations that are carried in the financial statements at other than fair values as at 31 December:

		Group			
		Carrying amount		Fair value	
	Note	2007	2006	2007	2006
		$'000	$'000	$'000	$'000
Finance lease obligations	31	1,272	1,350	1,202	1,199

Fair value has been determined using discounted estimated cash flows. The discount rates used are the current market incremental lending rates for similar types of borrowing and leasing arrangements.

(v) *Non-current bank term loan*

The carrying amount of the non-current bank term loan is a reasonable approximation of fair value as it is a floating rate instrument that is repriced to market income rates on or near the balance sheet date.

39. Directors' remuneration

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

	Group	
	2007	2006
$750,000 and above	2	–
$500,000 and $749,999	–	2
$250,000 to $499,999	1	1
Below $250,000	–	–
	3	3

Notes to the Financial Statements

31 December 2007

40. Comparative figures

The following have been reclassified to better reflect the nature of the balances and to conform to current year's classification :

	Group		Company	
	Reclassified 2006	Previous 2006	Reclassified 2006	Previous 2006
	$'000	$'000	$'000	$'000
Trade receivables	–	–	1,055	774
Amount due from subsidiaries	–	–	853	1,134
Other receivables, deposits and prepayments	–	2,021	–	3,878
Other receivables and deposits	1,879	–	3,861	–
Prepayments	142	–	17	–
Fixed deposits	–	6,581	–	–
Cash on hand and at bank	–	6,546	–	41
Cash and cash equivalents	13,127	–	41	–
Other payables and accruals	–	–	387	289
Amounts due to subsidiaries	–	–	1,299	1,397
Contracts work-in-progress in excess of progress billings :				
Contract costs incurred to-date	–	3,430	–	–
Attributable profits	–	239	–	–
Progress billings received and recoverable	–	(1,581)	–	–
	–	2,088	–	–
Progress billings in excess of contracts work-in-progress :				
Contract costs incurred to-date	–	111	–	–
Attributable profits	–	6	–	–
Progress billings received and receivable	–	(765)	–	–
	–	(648)	–	–
Aggregate amount of costs incurred and recognised profits (less recognised losses to-date)	3,786	–	–	–
Less: Progress billings	(2,346)	–	–	–
	1,440	–	–	–
Presented as :				
Gross amount due from customers for contract work	2,088	–	–	–
Gross amount due to customers for contract work	(648)	–	–	–
	1,440	–	–	–

41. Approval of financial statements

The financial statements of the Group and of the Company for the financial year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 13 March 2008.

Statistics of Shareholdings

As At 12 March 2008

Issued and Fully paid-up Capital	**:**	**21,653,317.30**
Number of Shares	**:**	**126,648,772**
Class of Share	**:**	**Ordinary Share**
Voting Rights	**:**	**One Vote Per Share**

The Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	371	51.10	2,282,000	1.80
10,001 - 1,000,000	335	46.14	20,922,171	16.52
1,000,001 and above	20	2.76	103,444,601	81.68
Total	**726**	**100.00**	**126,648,772**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Islanda Pte. Ltd.	25,328,707	20.00
2	O-Vest Pte. Ltd.	25,328,707	20.00
3	DBS Nominees Pte Ltd	11,985,000	9.46
4	Soh Siak Poh Benedict	5,156,293	4.07
5	Ong Chin Sim Simon	5,156,280	4.07
6	Dominic Richard Pemberton	3,050,000	2.41
7	Kim Eng Securities Pte. Ltd.	2,961,000	2.34
8	Chong Fook Seng Patrick	2,676,000	2.11
9	Alex Wee Huat Seng	2,427,733	1.92
10	Chong Siew Ling	2,423,174	1.91
11	Ong Chin Kwan	2,407,947	1.90
12	Yee Chee Kong	2,402,733	1.90
13	Raffles Nominees Pte Ltd	2,250,000	1.78
14	Ng Hung Chiao Michael	1,951,173	1.54
15	Cheong Chai Keng	1,603,359	1.27
16	Phillip Securities Pte Ltd	1,521,000	1.20
17	Tan Ai Lin	1,497,049	1.18
18	Hong Leong Finance Nominees Pte Ltd	1,200,000	0.95
19	Tay Kay Sock Gerald	1,090,413	0.86
20	Peok Chong Eng	1,028,033	0.81
	Total	**103,444,601**	**81.68**

Statistics of Shareholdings

As At 12 March 2008

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 12 March 2008)

Name of Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Benedict Soh Siak Poh	5,156,293	4.071	25,328,707	19.999
Simon Ong Chin Sim	5,156,280	4.071	25,328,707	19.999
Islanda Pte Ltd	25,328,707	19.999	-	-
O-Vest Pte Ltd	25,328,707	19.999	-	-
Png Geok Choo Rose	-	-	25,328,707	19.999
Soh E-Ling Marianne	-	-	25,328,707	19.999
Soh Hsien Wern Gavin	-	-	25,328,707	19.999
Jillian Soh E-Ping	-	-	25,328,707	19.999
Vera Ong Lim Guek Noi	-	-	25,328,707	19.999
Ong Mei Lin Elita	-	-	25,328,707	19.999

Notes:

1. Mr Benedict Soh Siak Poh's deemed interests refer to the 25,328,707 shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

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

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

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

5. Ms Soh Hsien Wern Gavin's deemed interests refer to the 25,328,707 shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

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

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

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

SHAREHOLDINGS IN THE HANDS OF PUBLIC

37.2% 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 of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifth Annual General Meeting of KINGSMEN CREATIVES LTD. will be held at 3 Changi South Lane Singapore 486118 on Monday, 28 April 2008 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 financial year ended 31 December 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 2 cents per ordinary share and a special one-tier tax exempt dividend of 1 cent per ordinary share for the financial year ended 31 December 2007. **(Resolution 2)**

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

   Mr Simon Ong Chin Sim **(Resolution 3)**
   Mr Prabhakaran Narayanan Nair **(Resolution 4)**

   Mr Prabhakaran Narayanan Nair 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 225,000 for the financial year ended 31 December 2007. **(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 new shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

   (A) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

Notice of Annual General Meeting

provided that:-

(1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with subparagraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under subparagraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this authority is given, after adjusting for:-

(i) new shares arising from the conversion or exercise of any convertible securities or employee share options on issue at the time this authority is given; and

(ii) any subsequent consolidation or sub-division of shares;

(3) in exercising the authority conferred by this authority, the Directors shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the 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)**

BY ORDER OF THE BOARD

JUDITH LOW CHU LI
WEE MAE ANN
Company Secretaries
Singapore
11 April 2008

Notice of Annual General Meeting

EXPLANATORY NOTES:

(i) Ordinary Resolution 7 above, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to issue shares and convertible securities in the Company up to the amount not exceeding 50% of the issued shares in the capital of the Company (excluding treasury shares), of which up to 20% (excluding treasury shares) may be issued other than on a pro-rata basis.

(ii) The Ordinary Resolution 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.

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 8 May 2008 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate Advisory Services Pte. Ltd. at 3 Church Street, #08-01 Samsung Hub, Singapore 049483 up to 5.00 p.m. on 7 May 2008 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 7 May 2008 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Annual General Meeting to be held on 28 April 2008, will be made on 16 May 2008. For the avoidance of doubt, the dividend, if approved, will be paid in respect of shares before the proposed share split of every two ordinary shares in the capital of the Company into three ordinary shares.

BY ORDER OF THE BOARD

JUDITH LOW CHU LI
WEE MAE ANN
Company Secretaries
Singapore
11 April 2008

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KINGSMEN CREATIVES LTD.

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

PROXY FORM
ANNUAL GENERAL MEETING

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.

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, 28 April 2008 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 financial year ended 31 December 2007		
2	Payment of proposed first and final one-tier tax exempt dividend and special one-tier tax exempt dividend		
3	Re-election of Mr Simon Ong Chin Sim as a Director		
4	Re-election of Mr Prabhakaran Narayanan Nair as a Director		
5	Approval of Directors' fees amounting to $225,000		
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		

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

Dated this ___________ day of _________________, 2008.

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

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

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM

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.

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Second Fold

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Postage
Stamp

The Secretary
KINGSMEN CREATIVES LTD.
Kingsmen Creative Centre
3 Changi South Lane
Singapore 486118

Third Fold

kingsmen

A communications design and production group in Asia Pacific

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