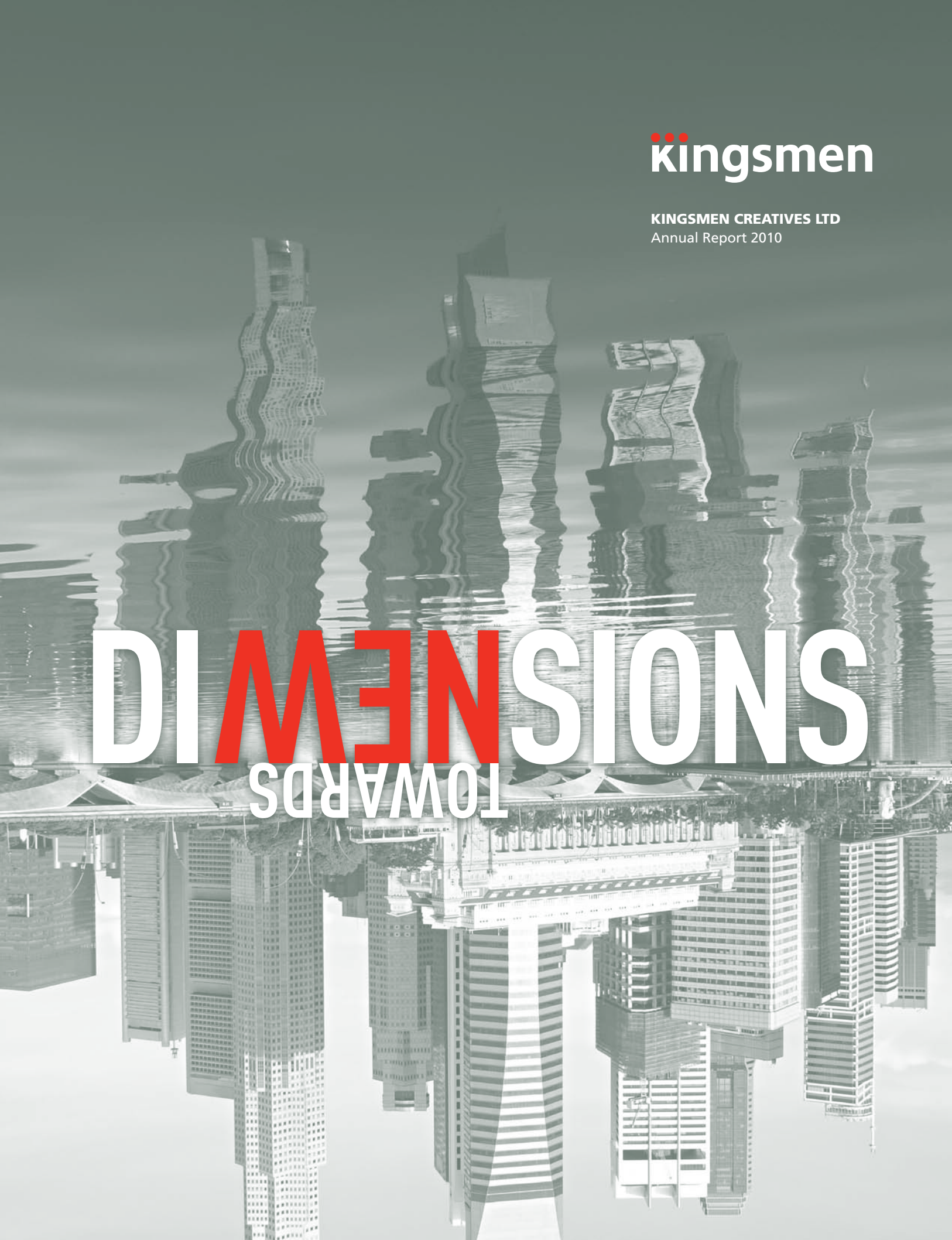
kingsmen

KINGSMEN CREATIVES LTD
Annual Report 2010

TOWARDS NEW DIMENSIONS



VISION

Design-Led, Quality & Service-Driven

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 communication houses globally
- To provide exciting and fulfilling career opportunities for all members through continual expansion and continuous learning

CONTENTS

35 YEARS...
TOWARDS NEW DIMENSIONS
1976-2011

Towards New Dimensions

The year marks a significant cornerstone in the operating history of Kingsmen as we celebrate 35 years of ongoing progress. As we reflect on our heritage and achievements, we honour the best of Kingsmen – the values and principles that shaped our foundation and the vision and foresight that continue to drive us to explore new dimensions…

Our 35th Anniversary Logo
The logo is a freehand sketch of the number '35', representing a fundamental skill in the field of design. The numbers '3' and '5' form a star, a symbol of Kingsmen Ambassadors. In the logo, the star represents Kingsmen's journey towards new frontiers guided by leaders, carried by staff and supported by clients.

Our Key Milestones

With over three decades of quality in design, production and after-sales service, Kingsmen has grown from strength to strength, producing numerous signature works around the world.

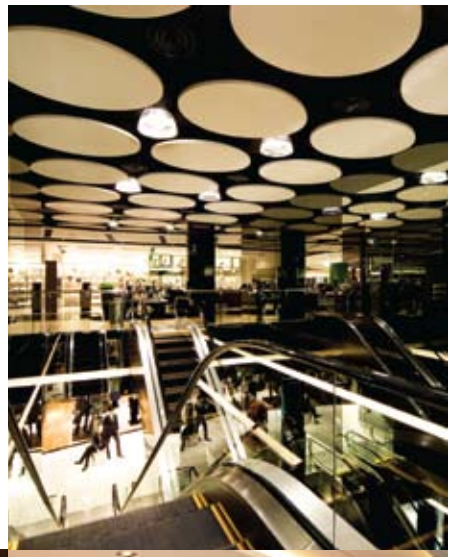
1970s

1976
Established in Singapore with seven staff

First showroom project: Canon Showroom at Raffles Place

1978
First high-end boutique projects: Pierre Balmain and Louis Vuitton

1979
First major exhibition: main contractor of Homemaker's at World Trade Centre



1990s

1990
Five-year exclusive contract with Debis Marketing (subsidiary of Daimler Benz Group) for the group's exhibitions across Asia Pacific

1991
Main contractor for International Maritime Air Show in Langkawi, Malaysia

1992
Set up Jakarta (Indonesia) and Ho Chi Minh (Vietnam) offices

Designed, built and managed the Singapore Pavilion at the World Expo in Seville, Spain

1993
Main contractor for Defense Show in Thailand and Thai Air Show

1994
Set up Hanoi (Vietnam) office

Won the "Top Stand" award for STB Pavilion at World Travel Mart 1994 in London

1995
Main contractor for Tax Free Asia Pacific, Singapore

Fitted-out Philatelic Museum, Singapore

1996
Main contractor for Singapore Discovery Centre together with MICE Group of UK

Set up New Delhi (India) office

1997
Set up Hong Kong SAR (regional HQ) and Beijing (China) offices

Awarded contract for Petronas Discovery Centre in Kuala Lumpur, Malaysia

1980s

1980
Designed Singapore Pavilion for STB at ITB, Berlin

1981
First overseas office in Kuala Lumpur, Malaysia

First overseas exhibition: main contractor for Malbex 1981, Kuala Lumpur, Malaysia

1983
Set up Bangkok (Thailand) office

First large-scale department store: Printemps at Meridian Hotel, Singapore

1984
Embarked on Robinson's Department Store project

Pioneered Singapore Festival Street Light-up

1986
First Marks and Spencer's flagship store

1987
First overseas department store project: Printemps in Kuala Lumpur, Malaysia

1988
Main contractor and chalet builder for Asian Aerospace, Singapore

2000s

2000
Set up Osaka (Japan) office

Designed and built DFS Galleria flagship at Millennia Walk, Singapore – won awards for "Best Retail Concept"

2001
Set up Shanghai (China) and Taipei (Taiwan R.O.C.) offices

2002
Set up Dubai (UAE) office

Awarded "Singapore's Most Distinctive Brand" in service category

Won the "International Award" by Eddie Award USA for "Brand Awareness Campaign 2000"

2003
Listed on the Singapore Exchange (SGX)

Won the Gold Interior Builders Award by the Singapore Furniture Industry Council

Won President's Design Awards, Interiors Builders Award and Regional Brand Award

2007
Awarded the Singapore Business Events Awards – Service Partner Excellence

2008
Built GE and Casa Italia pavilions at Beijing 2008 Olympic Games, China

Robinsons at The Gardens, Kuala Lumpur received awards from ISP/VM+SD International Store Design Awards & Retail Design Awards, USA

Received the Service Partner Excellence Award for the second consecutive year

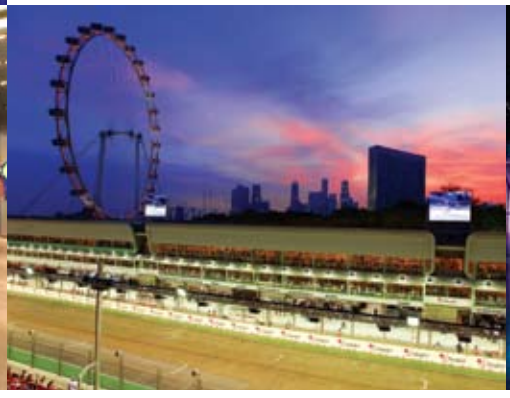
Awarded 5-year contract to support the Formula 1 Singapore Grand Prix

2009
Set up Busan (South Korea) office

Completed over S$80 million worth of contracts at Universal Studios Singapore

Designed and/or fit out the Luxury Fashion Galleria at Resorts World Sentosa, Singapore

Awarded fixture contract for Polo Ralph Lauren across Asia and Europe



1998
Set up Tokyo (Japan) and Seoul (Korea) offices

Official Hospitality Builder for the Commonwealth Games, Kuala Lumpur, Malaysia

Main contractor for Aero India, Bangalore

1999
Main contractor for Rotary International Convention, Singapore

Official Hospitality Builder for Petronas Malaysia Formula One Grand Prix

Event decoration for the Macau Handover Ceremony, ZAPE, Macau

Bagged the Best Retail Concept Award for DFS Galleria at Scotts Walk by the Singapore Retailers Association

2004
Provided turnkey solutions for Tempus – The Great Watchscapade, "Best Retail Event of the Year" by the Singapore Retailers Association Awards

2005
Designed and fabricated the BMW 3 Series pavilion at The Padang, Singapore

Set up Macau SAR office

2006
Set up 200,000 sq.ft. manufacturing facility in Johor, Malaysia

2010

Completed seven projects at World Expo Shanghai

Appointed Official Events Management Services Partner for the inaugural Youth Olympic Games in Singapore

Designed and built Press Centre and Broadcast Compounds for the 2010 Commonwealth Games in New Delhi, India

Received 3rd SFIA Gold Award, winning ALL three Interior Builders Awards since it was introduced in 2003

Our People

The heartbeat of Kingsmen, our staff and management share a common bond derived from mutual respect and a shared belief in delivering the unique Kingsmen experience each and every time. Professionalism and integrity in all our dealings are the operating ethos of Kingsmen as we strive for excellence at all levels. Through continuous learning and upgrading, we ensure that our people are equipped with the necessary knowledge and skills to meet the needs of our clients.


OSI


Leadership...
by example
2010

Executive Chairman's Message

Only the best will do, from each individual member, design, production and after-sales services…

Dear Shareholders,

The ethos on which we started Kingsmen holds true today as it did 35 years ago. We have come this far, owing to our practice of being a design-led and quality service-driven organization.

We had an amazing journey… 35 years on and we are still excited to push on to new markets, new horizons. Our main challenge, going forward is to nurture a team of leaders and replicate this tested formula for our next phase of growth in the Asia Pacific Region. As we commemorate our 35th Anniversary in 2011, I am pleased to present to you our Annual Report for FY10.

Having completed our largest ever single project in Universal Studios Singapore in 2009, FY10 posed a daunting task to achieve the same good results of the previous year. All divisions did well and collectively, turned in a profit that is marginally better than that of FY09, although revenue is slightly lower. In the foreseeable future, our growth will be driven by our offices in the region and our capability to supply to global clients.

Our Exhibitions & Museums division successfully completed seven projects at the World Expo Shanghai 2010, the best performance in our history. Other notable projects include Singapore 2010 Youth Olympic Games, XIX Commonwealth Games 2010 India, F1 Singapore Grand Prix, BMW Asia auto-show and Nissan/Infiniti auto-shows. A number of projects completed include those in the Middle East and Europe, such as SIBOS, MRO Europe, International Broadcasting Convention, Cityscape Dubai and the Venice Biennale.

Our Interiors division continued to perform well, pushing ahead with exports to the West and Japan, and successfully completing 'roll-out' projects in many countries. These included clients such as Polo Ralph Lauren, Aldo, Tiffany, Swarovski and Tag Heuer. We were entrusted by both regular and new clients to design/construct over 35 retail shops at Marina Bay Sands, a destination for top-notch retailers. Some of the clients included Chanel, Miss Sixty, Hublot, Fendi, Brooks Brothers and Tommy Hilfiger.

Our smaller divisions of Research & Design and IMC continued to do well, with both increasing in business turnover. As we continue to move up the value chain, we are providing professional design and marketing consultancy services to more clients.

The fast moving changes taking place in our midst demand that we adopt a nimble approach towards serving our clients. Hence, we have to be equipped with the essential cutting-edge knowledge to help our clients meet consumer demands. This presents significant potential for us as brands consolidate their procurement and seek best value solutions. We are in an advantageous position, being an early mover and having established a strong network in the region. Our offices are located in some of the fastest growing economies in the world and they are ready to ride on this wave of growth.

Another exciting development is our thematic business which is set to ride on the growth of theme parks in the region over the next few years. These include the Hong Kong Disneyland extension, Shanghai Disneyland, Universal Studios Singapore's on-going expansion and Gardens by the Bay, Singapore. The team is also busy pursuing several theme park contracts in the region.

We are also heartened that with the global economic recovery taking root, the exhibitions and MICE-related business looks set to see a stronger year with more shows and events planned in the region. We intend therefore, to continue to build on our capabilities in alternative marketing and sports marketing, given the increasing opportunities for sporting and mega events in the region.

Our challenge in the near future will be the ability to mobilize the right talent and direct them effectively. To this end, I have instituted several changes at the top to better position ourselves to drive and manage growth. My future focus will therefore be, to build our Group's leadership capabilities, map our strategic directions and explore business opportunities, as I continue to travel and oversee some of our Group's regional offices. My partner and co-founder, Simon Ong will now oversee the Group's day-to-day management as well as its creative directions, in his capacity as Group Managing Director and CEO. Anthony Chong and Alex Wee are now promoted to Managing Directors of Kingsmen Exhibits and Kingsmen Projects respectively, and will be responsible for managing and growing their business areas.

As the China region is fast growing, we are pleased to announce the promotion of Krez Peok to Managing Director, Greater China and the appointment of Michael Ng, who hailed from the Singapore office, as Managing Director of our Beijing and Shanghai offices.

This is the decade of growth for Asia and I am confident that we will become even stronger as we continue to deliver quality and value to our clients in the region and globally.

AT KINGSMEN INSPIRATION IS ALWAYS AT THE HEART OF CREATIVITY

In appreciation of the support from our loyal shareholders, the Board is pleased to propose a Final Dividend of 2.0 cents per Ordinary Share and a Special Dividend of 0.5 cents per Ordinary Share, to mark our 35th Anniversary. Combined with the Interim Dividend of 1.5 cents declared in August 2010, we would have paid out a combined dividend of 4.0 cents per share in FY10.

In closing, I would like to express my appreciation to all at Kingsmen – to acknowledge their contribution to the Group and urge each one to continue to cooperate and give off his best. Great results can only be achieved by all pulling together as one.

I would also like to record my gratitude to the Board of Directors for their guidance and wise counsel during the year. Last but not least, I would like to thank our business associates, customers and shareholders for their continued support and trust in us.

As we continue to build on the foundations that have been laid in the last 35 years, I look forward to your continuing support and trust, in order that all at Kingsmen will have a better future.

Benedict Soh
Executive Chairman

Board of Directors

Simon Ong | Wong Ah Long | Benedict Soh | Prabhakaran N. Nair | Lee Hock Lye | Anthony Chong

Benedict Soh
Executive Chairman

Benedict Soh is our Executive Chairman. He is responsible for the strategic planning and business development of our Group and day-to-day management. Mr Soh has 40 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 Co-Chairman of the Special Technical Committee on Tourism and Exhibition Services. He is a Board member of the Irish Chamber of Commerce Singapore and a member of the School Advisory Council of Northbrooks Secondary School. He is also a member of the Investment Panel for Spring Seeds Capital and the International Action Crucible of IE Singapore. At MDIS, he serves as Chairman of the Tourism and Hospitality Programmes and is a member of its Academic Advisory Board. In addition, Mr Soh is the past president of Rotary Club of Pandan Valley. He 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 Group's strategic planning, creative standards and day-to-day management. Mr Ong is one of our founders and has contributed significantly to the growth of our Group for the past 34 years. Mr Ong served as the President of the Interior Designers Association (Singapore), Vice-Chairman of the Potong Pasir CC Management Committee and a member of the Advisory Board of Temasek Polytechnic School of Design. He is currently the Chairman of the design cluster in the Manpower, Skills & Training Council of WDA, Design Committee of Singapore Furniture Industry Council and Presidential Advisory Commission of Designers Association Singapore. He is also an IDP member of the Singapore Design Council and board member of Association of Retail Environment (USA). 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.

Anthony Chong
Executive Director,
Exhibitions & Museums
(Managing Director wef Jan 1, 2011)

Anthony Chong is our Executive Director. He is responsible for the strategic management and day-to-day operations of the Exhibitions, Museums and Theme Parks division. He joined the Group in 1981 and has over 30 years of experience in marketing and project management of different disciplines including tradeshows, retail interiors and large-scale events. He was appointed Project Director in 1989 to oversee the operations and became Executive Director in 1999. Mr. Chong was awarded a Master of Business Administration from the Victoria University of Technology in Australia.

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. He had spent more than 30 years with HSBC Group, where he held several senior positions prior to his retirement. He is an independent director at R H Petrogas Limited and Business Advisor at Lombard Odier Darier Hentsch. 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.

Prabhakaran N. Nair
Independent Director

Prabhakaran Narayanan 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 Derrick Wong & Lim BC LLP. He has been practising law since 1974. He obtained his law degree from the University of Singapore and is a litigation lawyer specialising in Commercial Litigation, Arbitration and Estates and Trusts matters.

Wong Ah Long
Independent Director

Wong Ah Long was appointed as an Independent Director of our Group in April 2008. He is currently the Chairman of Utraco Pte Ltd, Executive Director of Utraco Greentech Pte Ltd and Honorary Chairman of Lucrum Pte Ltd. He was also the Chief Executive Officer of Suntec City Development Pte Ltd (1996-2005) and Chairman of Pacific Star China Pte Ltd (2005-2007). Mr Wong is also the Deputy Chairman of Institute of South East Asian Studies (ISEAS) Board of Trustees and was a member of NUS Board of Trustees (2000-2008). He graduated with a Master of Business Administration from the University of Singapore.

Senior Management

1. **Alex Wee**
   Executive Director
   (Managing Director wef Jan 1, 2011)

   Alex Wee is an Executive Director of Kingsmen Projects Pte Ltd. He is responsible for business development, project management and operations of the interiors division. Alex graduated with a Bachelor's (Honours) degree in Construction Management from University of Newcastle, Australia.

2. **Francis Yee**
   Executive Director

   Francis Yee 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. Francis studied Furniture Design and Production at the Baharuddin Vocation Institute and was awarded a certificate by the Industrial Training Board.

3. **Michael Ng**
   Executive Director
   (Managing Director of Kingsmen China offices, wef Jan 1, 2011)

   Michael Ng is an Executive Director of Kingsmen Exhibits Pte Ltd. He is responsible for the day-to-day operations of the Exhibitions & Events division, expanding clientele base and maintaining key accounts both locally and internationally. He received a Master in Business Administration (Marketing) from the University of Hull in the United Kingdom.

4. **Gerald Tay**
   Creative Director

   Gerald Tay is our Creative 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. Gerald is a member of the Interior Design Confederation (Singapore). He received the Industrial Technician Certificate in Interior Design by the Vocation and Industrial Training Board in Singapore.

5. **Roy Ong**
   Creative Director

   Roy Ong 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. Roy is a member of the Interior Design Confederation (Singapore). He received a Master of Design from the University of New South Wales.

6. **Edward Ho**
   Managing Director
   (ceased to be Director wef Jan 1, 2011)

   Edward Ho is the Managing Director of our Greater China Operations. He joined Kingsmen North Asia in 1997 and has since taken charge of the overall management of all five Greater China offices. He obtained his Diploma in Electronic Engineering from Ngee Ann Polytechnic.

7. **Krez Peok**
Executive Director
(Managing Director wef Jan 1, 2011)

Krez Peok the Executive Director of our Greater China Operations. He has more than 20 years of practical experience in museums, visitor centres, exhibitions, events & interiors and is responsible for the overall management of all five Greater China offices. Krez obtained a Certificate in Mechanical Engineering from Singapore Technical Institute and Certificate in Management Studies from Singapore Institute of Management.

8. **Francis Chang**
Executive Director

Francis Chang is the Executive Director of PT Kingsmen Indonesia. He 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.

9. **Cheong Chai Keng**
Executive Director

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 obtained a diploma in Mechanical Engineering from the Federal Institute Technology.

10. **Stephen Lim**
General Director

Stephen Lim is a General Director of Kingsmen Indochina Pte Ltd. He is responsible for the day-to-day operations, sales, marketing and management of our Vietnam office. Stephen has more than 26 years of experience in operations and project management of exhibitions, events and retail interiors.

11. **Andrew Cheng**
Group General Manager

Andrew Cheng is our Group General Manager. He is responsible for the Group's corporate affairs and business development. Andrew has a Bachelor of Economics degree from the University of Tasmania, Australia and currently serves as Hon. Secretary to the Securities Investors Association Singapore (SIAS).

12. **Judith Low**
Financial Controller

Judith Low is our Financial Controller and is responsible for the overall management of our Group's financial reporting, internal control and accounting processes. Before joining the Group, she was the Financial Controller of another listed company in Singapore and an Auditor with Ernst and Young. Judith obtained her Bachelor of Accountancy (Honours) degree from Nanyang Technological University and is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore.

Financial Highlights

Results For the Year	FY2006 S$'000	FY2007 S$'000	FY2008 S$'000	FY2009 S$'000	FY2010 S$'000
Revenue	108,945	145,908	190,554	242,036	235,190
Gross profit	27,784	39,720	58,533	59,542	65,436
Gross profit margin	25.5%	27.2%	30.7%	24.6%	27.8%
Net profit before taxation	6,110	12,542	18,974	18,927	19,712
Net profit for the year attributable to owners of the parent	4,937	9,365	14,176	14,900	15,066
At Year-end					
Total assets	58,224	99,141	109,261	138,156	145,575
Total liabilities	39,063	61,746	63,841	83,285	86,175
Share capital#	10,982	21,603	21,416	21,416	21,697
Shareholders' funds	18,520	35,756	42,706	51,876	57,056
Minority interests	641	1,639	2,714	2,995	2,344
Short and long-term borrowings	1,681	1,657	1,438	1,291	5,290
Total funds invested	20,842	39,052	46,858	56,162	64,690
Debt-equity ratio (%)					
Excluding minority interests	9.1%	4.6%	3.4%	2.5%	9.3%
Including minority interests	8.8%	4.4%	3.2%	2.4%	8.9%
Per Share (cents)					
Earnings - basic	3.25*	5.29*	7.46	7.87	7.93
Earnings - diluted	3.25*	5.25*	7.46	7.87	7.93
Dividends	1.33*	2.00*	3.00	3.50	4.00
Net assets	12.21*	18.85*	22.55	27.39	30.01
Return on Average Shareholders' Equity (%)					
After taxation	29.7%	34.5%	36.1%	31.5%	27.7%

* All comparative figures have been adjusted to take into effect the share split, on 5 May 08, of every two ordinary shares in the capital of the Company into three ordinary shares.

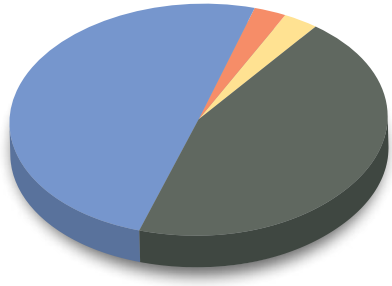
\# Share capital excluding treasury shares.

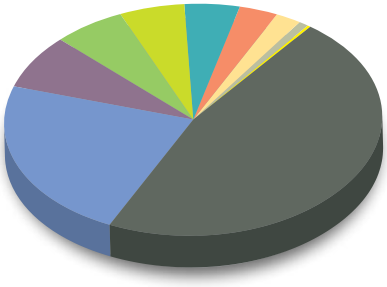
TURNOVER BY ACTIVITIES	FY2009 S$'000	FY2009 %	FY2010 S$'000	FY2010 %
Exhibitions & Museums	137,455	56.8%	105,190	44.7%
Interiors	93,668	38.7%	116,580	49.6%
Research & Design	5,756	2.4%	6,430	2.7%
Integrated Marketing Communication	5,157	2.1%	6,990	3.0%
Total Turnover	242,036	100.0%	235,190	100.0%

TURNOVER BY GEOGRAPHY	FY2009 S$'000	FY2009 %	FY2010 S$000	FY2010 %
Singapore	145,962	60.3%	110,217	46.9%
Greater China	44,651	18.5%	53,588	22.8%
US & Canada	5,388	2.2%	17,440	7.4%
Malaysia	12,508	5.2%	14,563	6.2%
Rest of Asia	6,086	2.5%	12,806	5.4%
Europe	14,529	6.0%	11,195	4.8%
Vietnam	4,652	1.9%	7,609	3.2%
Indonesia	3,456	1.4%	5,194	2.2%
Middle East	4,071	1.7%	2,281	1.0%
Others	733	0.3%	297	0.1%
Total Turnover	242,036	100.0%	235,190	100.0%

TURNOVER BY ACTIVITIES

- Exhibitions & Museums 44.7%
- Interiors 49.6%
- Research & Design 2.7%
- Integrated Marketing Communication 3.0%





TURNOVER BY GEOGRAPHY

- Singapore 46.9%
- Greater China 22.8%
- US & Canada 7.4%
- Malaysia 6.2%
- Rest of Asia 5.4%
- Europe 4.8%
- Vietnam 3.2%
- Indonesia 2.2%
- Middle East 1.0%
- Others 0.1%

Financial Highlights

CONSOLIDATED INCOME STATEMENT	FY2009 S$'000	FY2010 S$'000	+/- %
Revenue			
Exhibitions & Museums	137,455	105,190	-23.5%
Interiors	93,668	116,580	24.5%
Research & Design	5,756	6,430	11.7%
Integrated Marketing Communication	5,157	6,990	35.5%
Total revenue	242,036	235,190	-2.8%
Cost of sales	(182,494)	(169,754)	-7.0%
Gross profit	59,542	65,436	9.9%
Other items of income			
Interest income	141	190	34.8%
Other income	3,492	2,736	-21.6%
Other items of expense			
Depreciation of property, plant and equipment	(1,751)	(1,624)	-7.3%
Staff salaries and related expenses	(32,764)	(35,404)	8.1%
Other expenses	(9,936)	(11,625)	17.0%
Interest expense	(129)	(84)	-34.9%
Share of results of associates	332	87	-73.8%
Profit before tax	18,927	19,712	4.1%
Income tax expense	(3,210)	(3,543)	10.4%
Profit net of tax	15,717	16,169	2.9%
Profit attributable to:			
Owners of the parent	14,900	15,066	1.1%
Non-controlling interests	817	1,103	35.0%
	15,717	16,169	

Revenue

The Group registered a year-to-date ("YTD") revenue of S$235.2 million for FY10 compared to S$242.0 million in FY09. The decrease of S$6.8 million or 2.8% in revenue was mainly due to lower revenue contribution from the Exhibitions & Museums division which is partially offset by better top-line performance from the Interiors division.

The **Exhibitions & Museums division** posted revenue of S$105.2 million compared with S$137.4 million in FY09. In FY09, about S$78 million of the division's revenue was contributed by a substantial project for Universal Studios Singapore which was completed and handed over in Dec 2009. Despite not having this one-off mega project in 2010, the division has done very well.

During the year, the division completed the works for seven pavilions at the World Expo Shanghai 2010 which contributed about S$25 million in revenue. The Group also successfully delivered the works for Singapore 2010 Youth Olympic Games, F1 Singapore Grand Prix, exhibition projects such as Food and Hotel Asia 2010, Singapore

Airshow 2010, Tax Free Asia Pacific 2010, BMW Asia auto-show in Singapore and Nissan/Infiniti at various auto-shows in China.

The **Interiors division** performed well with an increase in revenue of S$22.9 million or 24.5% to S$116.6 million as compared to S$93.7 million in FY09.

The opening of the second integrated resort at Marina Bay Sands during 2010 has boosted the division's revenue. We have completed more than 35 shops, many which were for world-renowned brands. These projects contributed about S$23 million to our revenue.

The division continues to sustain good revenue contributions from key customers and brand names and recurring revenue from the export of fixtures. Key contributors to revenue during FY10 include Aldo, Bottega Veneta, Chanel, Fendi, F J Benjamin, Hinckley, Luxury Venture, Polo Ralph Lauren, Swarovski and The Hour Glass. We have also fitted out several boutiques for Tiffany in Singapore and China and for Burberry in China, Mongolia, Vietnam and India.

The **Research & Design division** achieved growth of S$0.6 million or 11.7% in revenue to S$6.4 million in FY10 compared to S$5.8 million in same period last year. The increase is due to more design jobs undertaken in FY10, which is in tandem with the overall growth of the Group. Revenue from the **IMC division** increased from S$5.2 million to S$7.0 million.

Gross Profit

Gross profit increased by S$5.9 million or 9.9% to S$65.4 million in FY10 as compared to S$59.5 million in FY09. Gross profit margin also improved to 27.8% from 24.6%.

Other Income

Other income comprises items of corporate fees, insurance claims, rental income, jobs credit grant and other miscellaneous income.

Other Items of Expenses

Operating expenses increased by S$4.1 million from S$44.6 million for FY09 to S$48.7 million for FY10 due to the following: -

i) increase in staff salaries and related expenses of S$2.6 million to S$35.4 million;
ii) increase in net foreign exchange loss of S$0.1 million to S$0.7 million;
iii) increase in operating lease expenses of S$0.3 million to S$3.4 million;
iv) increase in allowance for doubtful trade debts and bad trade debts written off of S$0.2 million; and
v) write-off of plant and property amounting to S$0.4 million as a result of the fire at our Malaysia factory premises.

Interest Income

This relates mainly to interest income derived from fixed deposits and bank balances with the banks.

Share of Results of Associates

Other than losses suffered by Kingsmen Middle East LLC and Kingsmen Nikko Limited, all other associated companies have reported positive earnings.

Net Profit after MI

The Group recorded a net profit after MI of S$15.1 million, an increase of 1.1% or S$0.2 million compared to S$14.9 million for FY09.

Exhibitions & Museums

Audi Fashion Festival, Singapore

The Exhibitions and Museums division posted a revenue of S$105.2 million in FY10, completing works for seven pavilions at the World Expo Shanghai 2010, Singapore 2010 Youth Olympics Games, F1 Singapore Grand Prix, exhibition projects such as Food and Hotel Asia 2010, Singapore Airshow 2010, Tax Free Asia Pacific 2010, BMW Asia auto-show in Singapore and Nissan/Infiniti in various auto-shows in China. The Division continues to build on its capabilities around the region, especially in the relatively new thematic and scenic business which is poised for tremendous growth.

Marina Bay City Gallery, Singapore

Singapore 2010 Youth Olympics Games

Grounded in our core competencies, we leverage on our expertise and experience to carve out new streams of recurring and sustainable revenue. In our pursuit of innovation and breakthrough in our creative endeavours, we are constantly inspired by new and interesting dimensions that form cutting-edge designs.

Information & Communications Pavilion at World Expo Shanghai 2010, China

Retail & Office Interiors

Emporio Armani, Vietnam

The Interiors division recorded a 24.5% increase in revenue to S$116.6 million. This was achieved largely by the completion of more than 35 shops at Marina Bay Sands and from key customers such as Aldo, Bottega Veneta, Chanel, Fendi, F J Benjamin, Hinckley, Luxury Venture, Polo Ralph Lauren, Swarovski and The Hour Glass. In addition, the division also fitted out several boutiques for Tiffany & Co in Singapore and China, and for Burberry in China, Mongolia, Vietnam and India. Business is buoyant, especially in the region with the entry of new brands into the growing regional economies and the opening of new malls. It also continues to see strong demand for roll-out management services from key accounts and fixture exports from clients in Asia, USA and Europe.

Chanel, Singapore

Fendi, Singapore

Backed by talent, knowledge and experience, and driven by a shared vision of growth, our people seek to innovate and create new dimensions every day. This is our competitive edge. It helps us rise above the competition and stay at the forefront of our operating environment.

Tiffany & Co. Flagship, China

Integrated Marketing Communication

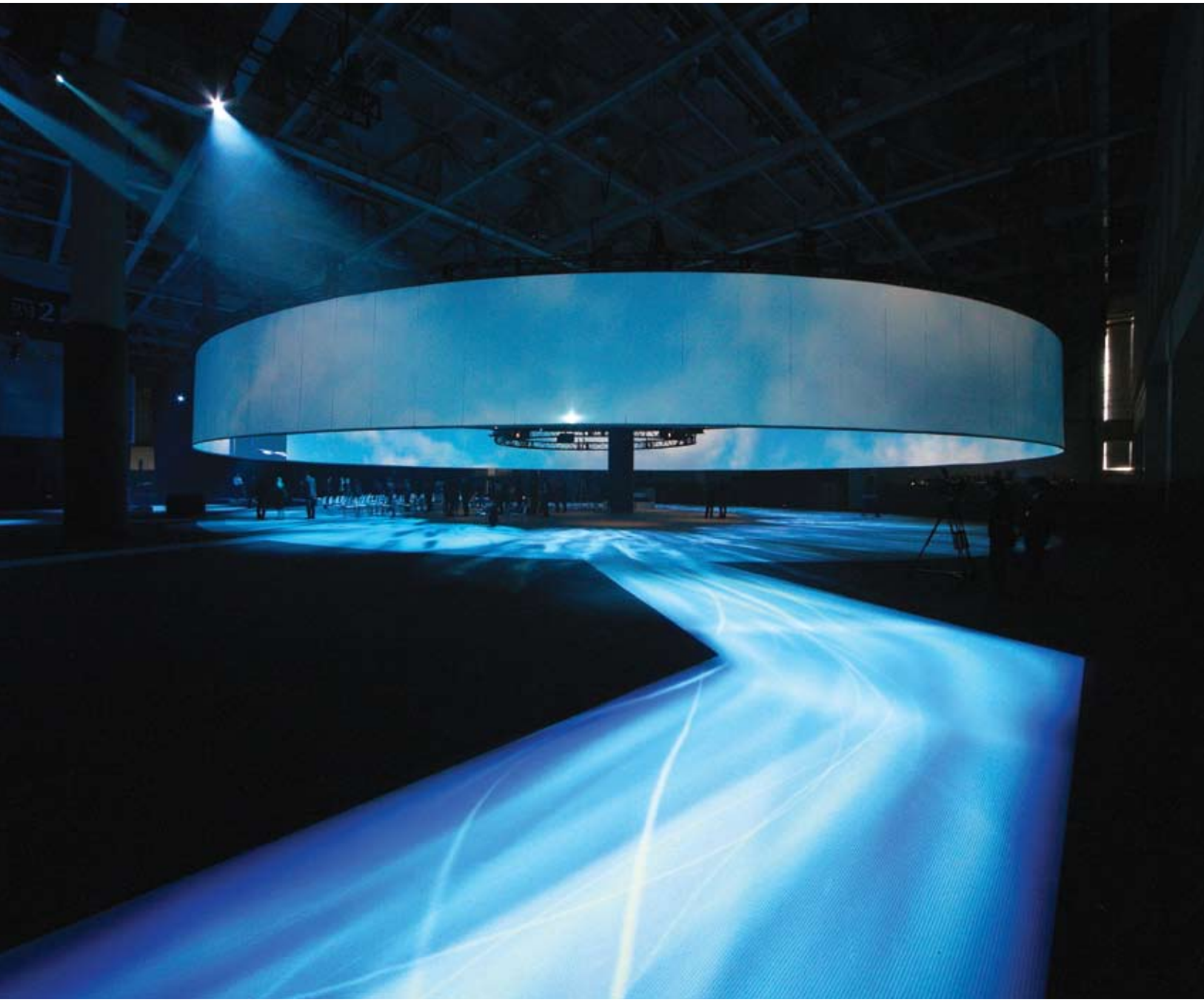
Heineken Armchair Race, Singapore

NHB Colors of Heritage Bus, Singapore

The Integrated Marketing Communication division saw revenue increase from S$5.2 million to S$7.0 million in FY10. The division works closely with local and global clients – to transform ideas into reality and create experiences that engage and inspire their clients' target audiences. In 2010, the division managed several prominent events such as the Traditional Medicine Expo, Bridgestone F1 Showcase and Asian Investment Conference & Exhibition, as well as marketing and activation campaigns for clients such as Starhub, Heineken, OCBC, IPOS, National Heritage Board, Nestle, Cycle & Carriage (Mitsubishi), LG Electronics and CapitaLand. The division also manages several out-of-home and ambient media and advertising assets for clients.

Bridgestone F1 event, Singapore

The synergistic fusion of our diverse talents and competencies, interwoven with innovation and creativity, form a dynamic and fluid tapestry of inspirations and aspirations. Fueled by our passion and commitment, this takes us to where we are today and towards a future of exciting possibilities.



BMW – Mobility of the Future, Japan

Research & Design

Hublot, Singapore

The Research and Design division saw revenue grow 11.7% to S$6.4 million in FY10 compared to S$5.8 million last year. Over the years, the division has received more than 100 local and international awards recognizing its strong design and innovative capabilities. The design teams have combined creativity and functionality to transform space into signature designs and translate concepts to reflect the corporate identity or brand image of our clients to good effect. Some of our clients include Burberry, Esprit, Swarovski, Tag Heuer, SKII, The Hour Glass, Fine Fragrance, Gucci, BMW, Amex, Chanel, Yahoo, Sony and Hyflux.

Tag Heuer, Australia

Toyota Dance of Light, Vietnam

In our relentless pursuit of excellence, we leave no stone unturned. Meeting each new challenge with an open mind, we are driven to broaden our knowledge, capabilities and experience. Through this spirit of discovery and learning, we unravel new dimensions to every solution.

Guangdong pavilion at World Expo Shanghai 2010, China

Corporate Information

DIRECTORS

Benedict Soh Siak Poh
Executive Chairman

Simon Ong Chin Sim
Group Managing Director

Anthony Chong Siew Ling
Executive Director

Prabhakaran Narayanan Nair
Independent Director

Lee Hock Lye
Independent Director

Wong Ah Long
Independent Director

COMPANY SECRETARIES

Judith Low Chu Li
Ting Xiao Hui

AUDIT COMMITTEE

Lee Hock Lye (Chairman)
Prabhakaran Narayanan Nair
Wong Ah Long

NOMINATING COMMITTEE

Prabhakaran Narayanan Nair (Chairman)
Lee Hock Lye
Wong Ah Long
Benedict Soh Siak Poh
Simon Ong Chin Sim

REMUNERATION COMMITTEE

Wong Ah Long (Chairman)
Lee Hock Lye
Prabhakaran Narayanan Nair

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

REGISTERED OFFICE

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

AUDITORS

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

Partner-in-charge: **Max Loh Khum Whai**
(Appointed since the financial year ended 31 December 2009)

BANKERS

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

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"). 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 2010 ("FY2010"), 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 of Directors 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 Wong Ah Long

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;
- funding decisions of the Group;
- nominations of Directors to the Board and appointment of key personnel;
- quarterly/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 interests 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. In the event that a new Director is appointed, the Company will provide a formal letter to the newly-appointed Director setting out his duties and obligations.

Tele-conferencing at Board Meetings is 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 FY2010 is as follows:-

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

Board Composition and Balance

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

Currently, the Board consists of six Directors, of whom 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 Wong Ah Long are independent. The strong independent element on the Board enables the Management to benefit from external diverse and objective perspectives for issues raised. It also allows for constructive exchange of ideas and views to shape the strategic policies of the Group.

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 experiences to contribute effectively.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities 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.

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer ("CEO"), which ensures that there is a balance of power and authority at the top of the Group. With effect from 1 January 2011, the posts of Chairman and CEO are kept separate and these positions are held by Mr Benedict Soh Siak Poh and Mr Simon Ong Chin Sim respectively.

The Board has delegated the day-to-day running of the Group, and the Group's strategic development, and creative direction and standards, to the CEO. Both the Chairman and CEO shall ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman shall, in addition to overseeing certain of the Group's overseas offices, furthering the Group's overseas expansion and exploring strategic business opportunities,

- lead the Board to ensure its effectiveness on all aspects of its role and set its agenda;
- ensure that the directors receive accurate, timely and clear information;
- ensure effective communications with shareholders;
- encourage constructive relations between the Board and Management;
- facilitate effective contribution of the non-executive directors in particular;
- encourage constructive relations between the executive and non-executive directors; and
- promote high standards of corporate governance.

Board Membership

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

The NC comprises the three Independent Directors, Mr Prabhakaran Narayanan Nair, Mr Lee Hock Lye and Mr Wong Ah Long and two executive Directors, Mr Simon Ong Chin Sim and Mr Benedict Soh Siak Poh. The Chairman of the NC is Mr Prabhakaran Narayanan Nair. The principal functions of the NC in accordance with its terms of reference are as follows:-

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

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	29 April 2009
Simon Ong Chin Sim	Group Managing Director	16 December 2002	26 April 2010
Anthony Chong Siew Ling	Executive Director	12 August 2003	29 April 2009
Prabhakaran Narayanan Nair	Independent Director	12 August 2003	28 April 2008
Lee Hock Lye	Independent Director	12 August 2003	26 April 2010
Wong Ah Long	Independent Director	28 April 2008	29 April 2009

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 circumstances. 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 to be 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 will propose 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. The NC will also consider the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index 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 will take 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.

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 the 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 Singapore Exchange Securities Trading Limited ("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 comprises the three Independent Directors, Mr Wong Ah Long, Mr Lee Hock Lye and Mr Prabhakaran Narayanan Nair. The Chairman of the RC is Mr Wong Ah Long.

The role of the RC is to review and recommend to the Board, an appropriate and competitive framework of remuneration for the Board and key executives covering all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind 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 and the Kingsmen Performance Share Scheme (collectively, the "Schemes"). Details of the Schemes are contained in the "Report of the Directors" section of this Annual Report.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of the executive directors' remuneration should be structured so as to link 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 two of its Executive Directors, Mr Benedict Soh Siak Poh and Mr Simon Ong Chin Sim. The renewal was from 1 July 2009 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, an 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, both companies 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 the 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 annual general meeting ("AGM").

Disclosure on Remuneration

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

The remuneration of directors and key executives in FY2010 are set out below:

FY2010	Fees	Salary	Bonus/ Incentives	Benefits	Share Options	Total
	%	%	%	%	%	%
Remuneration Band & Name of Directors						
$1,000,000 to $1,249,999						
Benedict Soh Siak Poh	10%	30%	59%	1%	-	100%
Simon Ong Chin Sim	10%	30%	59%	1%	-	100%
$500,000 to $749,999						
Anthony Chong Siew Ling	9%	35%	53%	3%	-	100%
Below $250,000						
Lee Hock Lye	100%	-	-	-	-	100%
Prabhakaran Narayanan Nair	100%	-	-	-	-	100%
Wong Ah Long	100%	-	-	-	-	100%

A breakdown, showing the level and mix of top five key executives in FY2010 is as follows:-

FY2010	Fees	Salary	Bonus/ Incentives	Benefits	Share Options	Total
	%	%	%	%	%	%
Remuneration of top 5 key executives (who are not Directors of Kingsmen Creatives Limited)						
$750,000 to $999,999						
Edward Ho Juan Jee	3%	44%	53%	-	-	100%
$500,000 to $749,999						
Alex Wee Huat Seng	2%	27%	69%	2%	-	100%
Francis Yee Chee Kong	3%	26%	69%	2%	-	100%
Krez Peok Chong Eng	5%	42%	53%	-	-	100%
Michael Ng Hung Chiao	3%	26%	69%	2%	-	100%

A breakdown, showing the level and mix of executives who are related to a Director in FY2010 is as follows:-

FY2010	Fees	Salary	Bonus/ Incentives	Benefits	Share Options	Total
	%	%	%	%	%	%
Remuneration of executives who are related to a Director						
$250,000 to $499,999						
Roy Ong Chin Kwan*	3%	38%	56%	3%	-	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 Schemes are contained in the "Report of the Directors" section of this Annual Report.

No options were granted to directors, executive officers or employees pursuant to the Kingsmen Share Option Scheme during FY2010.

Pursuant to the Kingsmen Performance Share Scheme, an aggregate of 731,400 fully-paid shares, constituting approximately 0.4% of the issued shares of the Company (excluding treasury shares) as at the date of the last AGM, were awarded to and accepted by employees of the Company and its subsidiaries in FY2010. No performance shares have been granted to the directors or controlling shareholders of the Company or their associates, and no participants under the Kingsmen Performance Share Scheme have been awarded 5.0% or more of the total number of performance shares which may be issued by the Kingsmen Performance Share Scheme since the commencement of the Kingsmen Performance Share Scheme.

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/quarterly 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 AC comprises the three Independent Directors, Mr Lee Hock Lye, Mr Prabhakaran Narayanan Nair and Mr Wong Ah Long. The Chairman of the AC is Mr Lee Hock Lye.

Mr Lee Hock Lye is a retired banker and an Associate of the Chartered Institute of Bankers, UK and is a member of the Singapore Institute of Directors and Audit Committee Institute, Singapore. Mr Lee graduated with a Bachelor of Social Sciences (Honours) degree in Economics from the University of Singapore. Mr Lee is also an independent non-executive director at RH Petrogas Limited and Business Advisor at Lombard Odier Darier Hentsch, Singapore. Mr Prabhakaran Narayanan Nair is an Advocate and Solicitor of Singapore and is currently a partner of a law firm in Singapore, Messrs Derrick Wong & Lim BC LLP. He has been practising law since 1974 and obtained his law degree from the University of Singapore. Mr Wong is currently the Chairman of Utraco Pte Ltd, an executive director of Utraco Greentech Pte Ltd and the Honorary Chairman of Lucrum Pte Ltd, and has many years of experience in managing companies. Mr Wong graduated with a Master of Business Administration majoring in Marketing and General Management from the University of 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/quarterly 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 the Management on the auditors' recommendations;
- reviewing the assistance and co-operation given by the 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 removals of external auditors and approving the remuneration and terms of engagement of the external auditors;
- 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 the Management's responses and actions to correct any deficiencies;
- 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 annually reviews the independence of the external auditors. There was no non-audit work carried out by the external auditors during the current financial year. The AC is satisfied with the independence and objectivity of the external auditors, and is pleased to confirm their re-appointment.

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 full 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 and with the internal auditors without the presence of the Management, at least annually and whenever 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 has implemented a whistle-blowing policy in 2010, which is duly endorsed by the AC and approved by the Board. The whistle-blowing policy will provide employees of the Group well-defined and accessible channels through which they may, in confidence, access the appropriate person to raise concerns about improper conduct within the Group, and possible improprieties in matters of financial reporting or other matters. The Audit Committee's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

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 the Management which was in place throughout FY2010 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 auditors' reports and management controls in place, the AC 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 effectiveness of the Company's internal controls at least annually.

Internal Audit

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

The internal audit function is out-sourced to Nexia TS Public Accounting Corporation, a certified public accounting firm and an independent member firm of Nexia International which is associated with Smith & Williamson of the United Kingdom. The internal auditor is a member of the Institute of Internal Auditors ("IIA") and the audit performed incorporates the Standards for the Professional Practice of Internal Auditing set by IIA.

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal control systems and procedures are monitored by the Management. The internal auditors report primarily to the Chairman of the AC. The internal auditors plan its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit.

The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of the improvements required on internal control weaknesses identified. The AC reviews the adequacy of the internal audit function at least annually.

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 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 Chairmen of the AC, RC and NC are normally available at the shareholders' meetings to answer those questions relating to the work of these committees. The external auditors are also present at the

AGM to assist the directors in addressing any relevant queries by shareholders including queries about the conduct of audit and the preparation and content of the auditors' report. 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 the 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 Company's 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 (including directors and employees) are expected to observe insider trading laws at all times. They are also discouraged from dealing in the Company's securities on short-term considerations, and are prohibited to trade in the Company's securities during the period commencing two weeks before the announcement of the results for each of the first three quarters of its financial year; and for the period commencing one month before the announcement of its full-year results.

6. INTERESTED PERSON TRANSACTIONS

Disclosure of interested person transactions is set out on page 113 of this Annual Report. When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions. To ensure compliance with Chapter 9 of the Listing Manual of the SGX-ST, both the Board and the AC will at their respective quarterly meetings, review with the Management of any potential transactions with interested persons. The Board and the AC will take steps to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST will be complied with.

7. RISK MANAGEMENT AND PROCESSES

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

All material transactions are subject to risk analysis by the Management and the AC. The Management and the AC regularly review the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. All necessary steps to manage risks in new projects will be taken before they are embarked upon. The Company's Financial Controller and internal auditors also assist in the risk management process by identifying and highlighting areas of concern while conducting financial/audit checks.

FINANCIAL REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Kingsmen Creatives Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2010.

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	(Managing Director, Exhibitions & Museums)
Prabhakaran Narayanan Nair	(Independent Director)
Lee Hock Lye	(Independent Director)
Wong Ah Long	(Independent Director)

In accordance with Article 107 of the Company's Articles of Association, Benedict Soh Siak Poh 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 interest 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	7,734,439	7,734,439	37,993,060	37,993,060
Simon Ong Chin Sim	7,734,420	7,734,420	37,993,060	37,993,060
Anthony Chong Siew Ling	3,634,761	3,634,761	–	–
Wong Ah Long	–	–	36,000	36,000
Prabhakaran Narayanan Nair	150,000	150,000	–	–

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' interests in shares and debentures (cont'd)

Except as disclosed in this report, no other director who held office as 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 2011.

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 "ESOS") was approved by the members of the Company at an Extraordinary General Meeting ("EGM") 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 ESOS. The rules of the ESOS were amended and approved at an EGM held by the Company on 29 April 2009 by members of the Company.

Under the rules of the amended ESOS, all directors (including non-executive and independent directors) and employees of the Company and its subsidiaries are eligible to participate in the ESOS. Controlling shareholders are not eligible to participate in the ESOS. All participants of the ESOS 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 ESOS is administered by the Remuneration Committee, comprising 3 Board directors, all of whom are Independent Directors. The Remuneration Committee is charged with the administration of the ESOS in accordance with the rules of the ESOS. The members of the Remuneration Committee are:

Wong Ah Long (Chairman)
Lee Hock Lye
Prabhakaran Narayanan Nair

The ESOS 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.

Share options (cont'd)

There were no outstanding options to subscribe for ordinary shares of the Company pursuant to the ESOS as at 31 December 2010.

There was no other options to take up unissued shares of the Company or its subsidiaries which were granted during the financial period under review. No other options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year. No shares were issued by way of the exercise of the options during the financial year under review.

Kingsmen Performance Share Scheme

The Kingsmen Performance Share Scheme (the "KPSS") was approved and adopted by the members of the Company at an EGM of the Company held on 29 April 2009. The implementation of the KPSS is to complement the existing ESOS and allows for participation by (a) Group employees, (b) Group Executive Directors (which refers to directors of the Company and/or any of its subsidiaries, as the case may be, who performs an executive function within the Group), (c) Non-Executive Directors (which refers to independent directors of the Company or directors of the Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director) and (d) associated company employees. Persons eligible to participate in the KPSS who are also controlling shareholders or associates of a controlling shareholder would be eligible to participate in the KPSS subject to the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Listing Manual"). Under the KPSS, an award of fully paid shares of the Company may only be vested and consequently any shares comprised in such awards shall only be delivered upon (i) the committee administering the KPSS ("KPSS Committee") being satisfied that the participant has achieved the pre-determined performance targets and/or due recognition should be given for good work performance and/or significant contribution to the Company and/or (ii) the Company decides to pay a pre-determined percentage of a Group employee's annual cash bonus payment in the form of shares. The pre-determined performance targets for each participant and the pre-determined percentage of a Group employee's annual cash bonus payment in the form of shares shall be determined by the KPSS Committee in its absolute discretion.

The KPSS Committee consists of the directors of the Company (being the three Executive Directors, Mr Benedict Soh Siak Poh, Mr Simon Ong Chin Sim and Mr Anthony Chong Siew Ling, and the three Independent Directors, Mr Lee Hock Lye, Mr Prabhakaran Narayanan Nair and Mr Wong Ah Long). The quorum for any KPSS Committee meeting shall be three (3) directors, of which two (2) of the directors shall be Independent Directors. The KPSS shall be administered by the KPSS Committee in its absolute discretion with such powers and duties as are conferred on it by the Board, except that in compliance with the requirements of the Listing Manual, no member of the KPSS Committee shall participate in any deliberation or decision in respect of share awards granted or to be granted to him.

The KPSS shall continue in force at the discretion of the KPSS Committee, subject to a maximum period of ten (10) years commencing on the date the KPSS is adopted by the Company in general meeting, provided always that the KPSS may continue beyond the above stipulated period with the approval of shareholders of the Company by ordinary resolution in general meeting and of any relevant authorities which may then be required. The KPSS may be terminated at any time by the KPSS Committee or by resolution of the Company in general meeting subject to all relevant approvals, which may be required, and if the KPSS is terminated, no further awards shall be vested by the Company.

Kingsmen Performance Share Scheme

During the financial year under review, an aggregate of 731,400 performance shares were awarded to and accepted by 31 employees of the Company and its subsidiaries.

At the end of the financial year under review, details of the performance shares awarded under the Kingsmen Performance Share Plan are as follows:

Date of Grant	Share awards granted	Share awards vested	Share awards cancelled	Balance as at 31 December 2010
29 April 2010	731,400	731,400	-	-

Since the commencement of the Kingsmen Performance Share Plan, up to 731,400 performance shares have been conditionally awarded to and accepted by employees of the Company and its subsidiaries.

No performance shares have been granted to the directors or controlling shareholders of the Company or their associates, and no participants under the Kingsmen Performance Share Scheme have been awarded 5.0% or more of the total number of performance shares which may be issued by the Kingsmen Performance Share Scheme since the commencement of the Kingsmen Performance Share Scheme.

Subsequent to the balance sheet date up to 21 January 2011, there has been no change in the conditional awards granted, vested and/or cancelled under the Kingsmen Performance Share Scheme.

The aggregate number of shares issued and issuable pursuant to the ESOS, the KPSS and any other share based incentive schemes of the Company shall not exceed fifteen per cent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Audit Committee

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

Lee Hock Lye (Chairman)
Prabhakaran Narayanan Nair
Wong Ah Long

During the financial year, the AC held four meetings and carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, which include the following:

- Reviewing the audit plans of the internal and external auditors of the Company and ensuring the adequacy of the Company's system of accounting controls and the co-operation given by the Company's management to the internal and external auditors;

- Reviewing the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of directors;

Audit Committee (cont'd)

- Reviewing the 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;
- Meeting with the internal and/or 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;
- Reviewing 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;
- Reviewing the cost effectiveness and the independence and objectivity of the external auditors;
- Reviewing the nature and extent of non-audit services provided by the external auditors;
- Recommending to the Board of directors the nomination of the external auditors, approving the compensation of the external auditors, and reviewing the scope and results of the audit;
- Reporting actions and minutes of the AC to the Board of directors with such recommendations as the AC considers appropriate; and
- Reviewing interested person transactions in accordance with the requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Apart from the functions above, the AC will commission and review the findings of internal investigations into matters where there is suspicion or fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Group's operating results and/or financial position.

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 and objectivity of the external auditors, and is pleased to confirm their re-appointment. The AC has also conducted a review of interested person transactions.

The AC has also met with the 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 Corporate Governance Report of the Company's Annual Report for the financial year ended 31 December 2010.

The Company appoints different auditors for its subsidiaries or significant associated companies (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited). The Board and the AC, having reviewed such appointment(s), are satisfied that the appointment(s) would not compromise the standard and effectiveness of the audit of the consolidated financial statements of the Group. The details of the auditors for the Company's subsidiaries or significant associated companies are disclosed on pages 91 and 96 of the Company's Annual Report for the financial year ended 31 December 2010.

Report of the Directors

Auditors

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

On behalf of the Board of directors:

Benedict Soh Siak Poh
Director

Simon Ong Chin Sim
Director

Singapore
18 March 2011

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, consolidated statement of comprehensive income, 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 2010 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
18 March 2011

Independent Auditors' Report

For the financial year ended 31 December 2010

To the Members of Kingsmen Creatives Ltd.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Kingsmen Creatives Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 46 to 127, which comprise the balance sheets of the Group and the Company as at 31 December 2010, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Independent Auditors' Report

For the financial year ended 31 December 2010

To the Members of Kingsmen Creatives Ltd.

Opinion

In our opinion, 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 2010 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore
18 March 2011

Consolidated Income Statement

for the financial year ended 31 December 2010

	Note	2010 $'000	2009 $'000
Revenue	4	235,190	242,036
Cost of sales		(169,754)	(182,494)
Gross profit		65,436	59,542
Other items of income			
Interest income	5	190	141
Other income	6	2,736	3,492
Other items of expense			
Depreciation of property, plant and equipment	12	(1,624)	(1,751)
Staff salaries and related expenses	7	(35,404)	(32,764)
Other expenses		(11,625)	(9,936)
Interest expense	8	(84)	(129)
Share of results of associates		87	332
Profit before tax	9	19,712	18,927
Income tax expense	10	(3,543)	(3,210)
Profit net of tax		16,169	15,717
Profit attributable to:			
Owners of the parent		15,066	14,900
Non-controlling interests		1,103	817
		16,169	15,717
Earnings per share attributable to owners of the parent (cents per share)	11		
Basic		7.93	7.87
Diluted		7.93	7.87

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

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2010

	2010 $'000	2009 $'000
Profit net of tax	16,169	15,717
Other comprehensive income:		
Foreign currency translation	(1,421)	(241)
Revaluation of land and building of an associate, net	–	148
Other comprehensive income for the financial year, net of tax	(1,421)	(93)
Total comprehensive income for the financial year	14,748	15,624
Total comprehensive income attributable to:		
Owners of the parent	13,786	14,851
Non-controlling interests	962	773
	14,748	15,624

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

Balance Sheets

as at 31 December 2010

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	11,890	9,824	253	212
Intangible assets	13	5,546	6,362	–	–
Investments in subsidiaries	14	–	–	20,017	16,264
Investments in associates	15	7,113	6,567	5,944	5,364
Other investments	16	543	805	543	805
Other receivables	20	37	33	–	–
		25,129	23,591	26,757	22,645
Current assets					
Inventories	17	142	66	–	–
Gross amount due from customers for contract work-in-progress	18	14,004	10,086	–	–
Trade receivables	19	68,888	75,669	1,277	913
Other receivables	20	6,400	5,619	612	997
Prepaid operating expenses		395	298	42	17
Amounts due from subsidiaries	21	–	–	1,308	1,141
Amounts due from associates	21	714	–	714	–
Cash and short-term deposits	22	29,903	22,827	1,782	1,739
		120,446	114,565	5,735	4,807
Total assets		145,575	138,156	32,492	27,452
EQUITY AND LIABILITIES					
Current liabilities					
Gross amount due to customers for contract work-in-progress	18	2,756	2,613	–	–
Trade payables	23	37,664	37,067	–	–
Deferred income	24	3,605	3,337	–	–
Other payables and accruals	25	30,302	32,636	1,281	1,158
Amounts due to subsidiaries	21	–	–	4,157	1,530
Loans and borrowings	26	3,334	1,015	–	–
Income tax payable		5,276	5,298	–	–
		82,937	81,966	5,438	2,688
NET CURRENT ASSETS		37,509	32,599	297	2,119
Non-current liabilities					
Other payables	25	107	95	–	–
Loans and borrowings	26	1,956	276	–	–
Deferred tax liabilities	27	1,175	948	30	22
		3,238	1,319	30	22
Total liabilities		86,175	83,285	5,468	2,710
Net assets		59,400	54,871	27,024	24,742
Equity attributable to owners of the parent					
Share capital	28(a)	23,266	23,266	23,266	23,266
Treasury shares	28(b)	(1,569)	(1,850)	(1,569)	(1,850)
Retained earnings		39,291	30,879	5,154	3,326
Other reserves	29	(3,932)	(419)	173	–
		57,056	51,876	27,024	24,742
Non-controlling interests		2,344	2,995	–	–
Total equity		59,400	54,871	27,024	24,742
Total equity and liabilities		145,575	138,156	32,492	27,452

The accompanying 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 2010

2010 Group	Note	Attributable to owners of the parent Share capital $'000 (Note 28(a))	Treasury shares $'000 (Note 28(b))	Retained earnings $'000	Other reserves $'000 (Note 29)	Equity attributable to owners of the parent, total $'000	Non-controlling interests $'000	Equity, total $'000
Opening balance at 1 January 2010		23,266	(1,850)	30,879	(419)	51,876	2,995	54,871
Profit for the year		–	–	15,066	–	15,066	1,103	16,169
Other comprehensive income								
Foreign currency translation		–	–	–	(1,280)	(1,280)	(141)	(1,421)
Other comprehensive income for the year, net of tax		–	–	–	(1,280)	(1,280)	(141)	(1,421)
Total comprehensive income for the year		–	–	15,066	(1,280)	13,786	962	14,748
Contribution by and distributions to owners								
Treasury shares reissued pursuant to performance share scheme		–	281	–	173	454	–	454
Dividends on ordinary shares	30	–	–	(6,654)	–	(6,654)	–	(6,654)
Total contribution by and distributions to owners		–	281	(6,654)	173	(6,200)	–	(6,200)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Dividends paid to non-controlling interests		–	–	–	–	–	(343)	(343)
Acquisition of non-controlling interest		–	–	–	(2,428)	(2,428)	(1,345)	(3,773)
Disposal of non-controlling interest		–	–	–	22	22	75	97
Total changes in ownership interests in subsidiaries		–	–	–	(2,406)	(2,406)	(1,613)	(4,019)
Total transactions with owners in their capacity as owners		–	281	(6,654)	(2,233)	(8,606)	(1,613)	(10,219)
Closing balance at 31 December 2010		23,266	(1,569)	39,291	(3,932)	57,056	2,344	59,400

Statements of Changes in Equity

for the financial year ended 31 December 2010

2009 Group	Note	Attributable to owners of the parent: Share capital $'000 (Note 28(a))	Treasury shares $'000 (Note 28(b))	Retained earnings $'000	Other reserves $'000 (Note 29)	Equity attributable to owners of the parent, total $'000	Non-controlling interests $'000	Equity, total $'000
Opening balance at 1 January 2009		23,266	(1,850)	21,855	(565)	42,706	2,714	45,420
Profit for the year		–	–	14,900	–	14,900	817	15,717
Other comprehensive income								
Foreign currency translation		–	–	–	(197)	(197)	(44)	(241)
Surplus arising from revaluation of freehold land and building of an associate, net		–	–	–	148	148	–	148
Other comprehensive income for the year, net of tax		–	–	–	(49)	(49)	(44)	(93)
Total comprehensive income for the year		–	–	14,900	(49)	14,851	773	15,624
Contribution by and distributions to owners								
Transfer to statutory reserve fund	29(c)	–	–	(195)	195	–	–	–
Dividends on ordinary shares	30	–	–	(5,681)	–	(5,681)	–	(5,681)
Total contribution by and distributions to owners		–	–	(5,876)	195	(5,681)	–	(5,681)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Dividends paid to non-controlling interests		–	–	–	–	–	(310)	(310)
Acquisition of non-controlling interest		–	–	–	–	–	(182)	(182)
Total changes in ownership interests in subsidiaries		–	–	–	–	–	(492)	(492)
Total transactions with owners in their capacity as owners		–	–	(5,876)	195	(5,681)	(492)	(6,173)
Closing balance at 31 December 2009		23,266	(1,850)	30,879	(419)	51,876	2,995	54,871

The accompanying 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 2010

		Attributable to owners of the parent				
	Note	Share capital	Treasury shares	Other reserves	Retained earnings	Equity, total
		$'000	$'000	$'000	$'000	$'000
Company		(Note 28)	(Note 28(b))			
Opening balance at 1 January 2010		23,266	(1,850)	–	3,326	24,742
Profit for the year		–	–	–	8,482	8,482
Other comprehensive income for the year, net of tax		–	–	–	–	–
Total comprehensive income for the year		–	–	–	8,482	8,482
Contributions by and distribution to owners						
Treasury shares reissued pursuant to performance share scheme		–	281	173	–	454
Dividends on ordinary shares	30	–	–	–	(6,654)	(6,654)
Total transactions with owners in their capacity as owners		–	281	173	(6,654)	(6,200)
Closing balance at 31 December 2010		23,266	(1,569)	173	5,154	27,024
Opening balance at 1 January 2009		23,266	(1,850)	–	1,329	22,745
Profit for the year		–	–	–	7,678	7,678
Other comprehensive income for the year, net of tax		–	–	–	–	–
Total comprehensive income for the year		–	–	–	7,678	7,678
Contributions by and distribution to owners						
Dividends on ordinary shares	30	–	–	–	(5,681)	(5,681)
Total transactions with owners in their capacity as owners		–	–	–	(5,681)	(5,681)
Closing balance at 31 December 2009		23,266	(1,850)	–	3,326	24,742

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

Consolidated Cash Flow Statement

for the financial year ended 31 December 2010

	Note	Group 2010 $'000	Group 2009 $'000
Cash flows from operating activities			
Profit before tax		19,712	18,927
Adjustments for:			
Depreciation of property, plant and equipment	12	3,605	3,732
Gain on disposal of property, plant and equipment		(22)	(12)
Property, plant and equipment written off		414	27
Bad trade debts recovered		–	(110)
Bad trade debts written off		38	96
Allowance for doubtful trade debts		160	134
Amortisation of intangible assets	13	331	355
Write-back of allowance for doubtful trade debts		–	(100)
Gain on disposal of other investment		–	(16)
Interest income		(190)	(141)
Interest expense		84	129
Share of results of associates		(87)	(332)
Currency realignment		106	(63)
Total adjustments		4,439	3,699
Operating cash flows before changes in working capital		24,151	22,626
Changes in working capital:			
Increase in gross amount due from customers for contract work-in-progress		(3,918)	(2,455)
Increase/(decrease) in gross amount due to customers for contract work-in-progress		143	(293)
Increase in deferred income		268	155
Decrease/(increase) in trade and other receivables		4,669	(35,209)
(Decrease)/increase in trade and other payables		(1,718)	19,290
Increase in inventories		(76)	(31)
Cash flows from operations		23,519	4,083
Interest paid		(84)	(129)
Interest received		190	141
Income taxes paid		(3,306)	(2,714)
Net cash flows from operating activities		20,319	1,381
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(6,152)	(1,362)
Proceeds from disposal of property, plant and equipment		75	51
Acquisitions of non-controlling interests		(3,773)	(182)
Proceeds from disposal of non-controlling interests		97	–
Proceeds from disposal of other investment		–	1,144
Dividends received from associates		12	94
Net cash flows used in investing activities		(9,741)	(255)

Consolidated Cash Flow Statement

for the financial year ended 31 December 2010

	Note	Group 2010 $'000	2009 $'000
Cash flows from financing activities			
Decrease/(increase) in amount pledged to banks for banking facilities		454	(1,929)
Dividends paid on ordinary shares	30	(6,654)	(5,681)
Dividends paid to non-controlling shareholders of the subsidiaries		(343)	(310)
Proceeds from loans and borrowings		5,904	12,500
Proceeds from reissuance of treasury shares		454	–
Repayment of finance lease obligations		(346)	(682)
Repayment of long-term bank borrowings (net)		(1,413)	(12,361)
Net cash used in financing activities		(1,944)	(8,463)
Net increase/(decrease) in cash and cash equivalents		8,634	(7,337)
Effect of exchange rate changes on cash and cash equivalents		(924)	(203)
Cash and cash equivalents at 1 January		20,319	27,859
Cash and cash equivalents at 31 December	22	28,029	20,319

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

Notes to the Financial Statements

31 December 2010

1. Corporate information

Kingsmen Creatives Ltd. (the "Company") is a limited liability company incorporated in the Republic of Singapore and is listed on the Singapore Exchange Security Trading Limited ("SGX-ST"). 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 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 except as disclosed in the accounting policies below.

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.

2.2 Changes in accounting policies

(a) ***Adoption of new and revised FRS***

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)

The revised FRS 103 Business Combinations and FRS 27 Consolidated and Separate Financial Statements are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

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

2.2 Changes in accounting policies (cont'd)

(a) ***Adoption of new and revised FRS (cont'd)***

FRS 103 Business Combinations (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;

- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;

- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and

- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 Consolidated and Separate Financial Statements (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;

- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and

- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

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

2.2 Changes in accounting policies (cont'd)

(b) ***Future changes in accounting policies***

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to FRS 32 Financial Instruments: Presentation - Classification of Rights Issues	1 February 2010
INT FRS 119 Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Revised FRS 24 Related Party Disclosures	1 January 2011
INT FRS 115 Agreements for the Construction of Real Estate	1 January 2011
Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
Amendments to FRS 12 – Deferred Tax – Recovery of Underlying Assets	1 January 2012
Improvements to FRS 2010	1 January 2011 unless otherwise stated

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party on the disclosure of related party transactions. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

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

2.3 Basis of consolidation

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. 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.

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.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.7(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

2.3 Basis of consolidation (cont'd)

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

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

2.5 Functional and foreign currencies

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) ***Transactions and balances***

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 end of the reporting period. 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 end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) ***Group companies***

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

The Group has elected to recycle the accumulated exchange differences in the separate component of other comprehensive income that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

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

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.20. 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 measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of property, plant and equipment begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the asset as follows:

Freehold buildings	-	2%
Machinery and exhibition equipment	-	14% - 36%
Office equipment and computers	-	10% - 40%
Motor vehicles, furniture and fittings, and renovations	-	8% - 40%

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 on derecognition of the asset is included in the income statement in the year 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. Summary of significant accounting policies (cont'd)

2.7 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

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 that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. 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 2.5.

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 exchange rates prevailing at the date of acquisition.

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

2.7 Intangible assets (cont'd)

(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.

The useful lives of intangible assets are assessed as either finite or indefinite.

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. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Customer relationship and rights representation and event ownership

The customer relationship and rights representation and event ownership were acquired in business combinations and is amortised on a straight line basis over its finite useful life of 5 years.

2.8 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. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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.

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

2.8 Impairment of non-financial assets (cont'd)

Impairment losses are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, 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. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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 been recognised previously. Such reversal is recognised in the income statement.

2.9 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.

2.10 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. 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 asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit and loss of its associates is shown on the face of profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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.

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

2.10 Associates (cont'd)

The financial statements of the associate are prepared as of the same reporting date as the Company. Where 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.

2.11 Financial assets

Initial recognition and measurement

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. The Group determines the classification of its financial assets at initial recognition.

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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

2.11 Financial assets (cont'd)

(b) ***Loans and receivables***

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

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

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

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 in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment when the financial asset is derecognised.

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

Derecognition

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 had been recognised in other comprehensive income is recognised in profit or loss.

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

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

2.12 Impairment of financial assets

The Group and the Company assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired.

(a) ***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current 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.

(b) ***Financial 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.

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

2.12 Impairment of assets (cont'd)

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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as an expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

The stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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

2.15 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.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.16 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 expenses. Provision is made for all losses expected to arise on completion of contracts entered into at the end of the reporting period.

2.17 Provisions

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

Provisions are reviewed at end of each reporting period 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.

2.18 Financial liabilities

Initial recognition and measurement

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. The Group determines the classification of its financial liabilities at initial recognition.

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

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

2.18 Financial liabilities (cont'd)

Subsequent measurement

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.19 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.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 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.

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

2.21 Employee benefits (cont'd)

(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 end of the reporting period.

(c) ***Employee share option plans***

The directors of the Company (including non-executive and independent directors) and employees of the Group may 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 which 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 vested 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.

(d) ***Employees Performance Share Scheme***

The directors of the Company (including non-executive and independent directors) and employees of the Group may receive awards for good work performance or annual cash bonus payment in the form of shares.

The cost of these equity-settled transactions is measured by reference to the fair value of the awards or annual cash bonus payment at the date of the grant. The cost is recognised in the income statement over the expected vesting period.

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

2.22 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(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.

(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 2.23(d).

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

2.23 Revenue

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 end of the reporting period where the outcome of a construction 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) ***Labour services 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. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease terms on a straight-line basis.

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

2.23 Revenue (cont'd)

(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.

2.24 Related parties

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

2.25 Taxes

(a) ***Current income tax***

Current income 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 substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

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

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

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

- In respect of temporary differences associated with investments in subsidiaries and associates, 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.

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

2.25 Taxes (cont'd)

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

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

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

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

The carrying amount of deferred tax asset is reviewed at the end of each reporting period 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 the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred 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 end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

(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 sheet.

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

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 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.

2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received is recognised directly in equity.

2.29 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and estimates

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 periods.

3.1 Judgements made in applying accounting policies

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 consolidated financial statements:

(a) ***Income taxes***

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's and the Company's provision for taxation as at 31 December 2010 were $5,276,000 (2009: $5,298,000) and $Nil (2009: $Nil) respectively. The carrying amounts of the Group's and the Company's deferred taxation as at 31 December 2010 were $1,175,000 (2009: $948,000) and $30,000 (2009: $22,000) respectively.

(b) ***Intangible assets***

The Group recognised intangible assets comprising customer relationship, rights representation and event ownership, and goodwill arising from business combinations in accordance with the accounting policy in Note 2.7. The fair value of the customer relationship, rights representation and event ownership, and goodwill arising on acquisition of a subsidiary and associates had been finalised by management after completion of the valuation exercise in financial year 2007. The carrying amount of the Group's intangible assets related to subsidiaries, as at 31 December 2010 was $5,546,000 (2009: $6,362,000). The details of the Group's intangible assets related to associates are disclosed in Note 15 to the financial statements.

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

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

(a) ***Useful lives of property, plant and equipment***

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 2.5 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment at the end of the reporting period is disclosed in Note 12 to the financial statements. 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.

(b) ***Impairment of goodwill and intangible assets***

Goodwill is tested for impairment annually and at other times when such indicators exist. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill and intangible assets, are given in Note 13 to the financial statements.

(c) ***Impairment of loans and receivables***

The Group assesses at the end of each reporting period 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 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 trade receivables at the end of the reporting period is disclosed in Note 19 to the financial statements. If the present value of estimated future cash flows of receivables that are past due but not impaired varies by 5% from management's estimates, the Group's allowance for impairment will increase by $653,000 (2009: increase by $314,000).

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

3.2 Key sources of estimation uncertainty (cont'd)

(d) ***Construction contracts***

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and the work of specialists. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 18 to the financial statements.

(e) ***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 2010, there are no indications of impairment and the carrying amounts of the Group's and the Company's property, plant and equipment were $11,890,000 (2009: $9,824,000) and $253,000 (2009: $212,000) respectively.

(f) ***Employee share option***

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 is 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 is no new grant of share options during the financial years ended 31 December 2010 and 2009.

4. Revenue

	Group	
	2010	**2009**
	$'000	$'000
Contract revenue	229,786	238,672
Sale of goods	3,318	2,045
Labour services income	1,559	605
Rental of equipment	527	714
	235,190	242,036

5. Interest income

	Group	
	2010	2009
	$'000	$'000
Interest income from loans and receivables:		
Short term deposits and bank balances	170	122
Associates	17	8
Others	3	11
	190	141

6. Other income

	Group	
	2010	2009
	$'000	$'000
Administrative income	80	34
Corporate fee income	388	487
Dividend income from other investment	43	37
Insurance claims	421	–
Gain on disposal of property, plant and equipment	22	12
Gain on disposal of other investment	–	16
Jobs credit grant	151	750
Management fee income	–	145
Miscellaneous income	360	826
Rental income	1,271	1,185
	2,736	3,492

During the financial year ended 31 December 2009, the Singapore Financial Minister announced the introduction of a Jobs Credit Scheme (Scheme). Under this Scheme in the financial year ended 31 December 2010, the Scheme was extended for half a year with another two payments at stepped down rates of 6% and 3% cash grant of the first $2,500 of each month's wages for each employee on their Central Provident Fund payroll.

7. Staff salaries and related expenses

	Group	
	2010	2009
	$'000	$'000
Salaries and employee benefits (including directors):		
Salaries, wages and bonuses	31,591	29,113
Contributions to defined contribution plans	2,259	2,119
Provision for unutilised leave	3	125
Directors' fees	604	575
Other employee benefits	947	832
	35,404	32,764

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.

There are no outstanding share options as at 31 December 2010. There were no options granted during the financial years ended 31 December 2010 and 2009.

8. Interest expense

	Group	
	2010	2009
	$'000	$'000
Interest expense on:		
- Obligations under finance leases	26	66
- Bank loans and trust receipts	166	51
- Bank overdrafts	25	12
	217	129
Less: Interest expense capitalised in property, plant and Equipment (Note 12)	(133)	–
Total interest expense	84	129

9. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2010	**2009**
	$'000	$'000
Directors' remuneration (including fees) :		
- Directors of the Company	2,928	2,974
- Directors of the subsidiaries (Note 33)	5,826	5,130
Amortisation of intangible assets (Note 13)	331	355
Bad trade debts written off (Note 19)	38	96
Bad trade debts recovered (Note 19)	–	(110)
Allowance for doubtful trade debts (Note 19)	160	134
Write-back of allowance for doubtful trade debts (Note 19)	–	(100)
Property, plant and equipment written off	414	27
Operating lease expenses (Note 31(b))	3,448	3,170
Net foreign exchange loss	666	577
Inventories recognised as an expense in cost of sales (Note 17)	246	132

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 2010 and 2009 are :

	Group	
	2010	**2009**
	$'000	$'000
Current income tax		
- Current income taxation	3,334	3,161
- Overprovision in respect of previous years	(50)	(23)
	3,284	3,138
Deferred income tax (Note 27)		
- Origination and reversal of temporary differences	259	91
- Effect of reduction in tax rate	–	(19)
	259	72
Income tax expense recognised in the income statement	3,543	3,210

There is no deferred tax relating to other comprehensive income for the financial years ended 31 December 2010 and 2009.

10. Income tax expense (cont'd)

(b) ***Relationship between tax expenses and accounting profit***

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 2010 and 2009 are as follows:

	Group	
	2010	**2009**
	$'000	$'000
Profit before tax	19,712	18,927
Tax at the domestic income tax rate of 17% (2009: 17%)	3,351	3,218
Income not subject to taxation	(26)	(128)
Non-deductible expenses	52	64
Benefits from previously unrecognised tax losses	(13)	(4)
Partial tax exemption	(191)	(138)
Overprovision in respect of previous years	(50)	(23)
Differences in tax rates of overseas subsidiaries	385	335
Share of results of associates	(14)	(56)
Effect of reduction in tax rate	–	(19)
Others	49	(39)
Income tax expense recognised in the income statement	3,543	3,210

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 17% for the year of assessment ("YA") 2010 onwards (YA2009: 18%). The corporate income tax rates applicable to Hong Kong and People's Republic of China ("PRC") companies of the Group are 16.5% (2009: 16.5%) and 25% (2009: 25%) respectively. The corporate income tax rate applicable to Malaysian companies of the Group is 25% (2009: 25%).

A loss-transfer system of group relief (group relief system) for companies was introduced in Singapore with effect from the year of assessment 2003. Under the group relief system, a company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (loss items) to another company belonging to the same group, to be deducted against the assessable income of the latter company.

During the financial year, tax losses of $226,000 (2009: $92,000) were intended to be transferred within the Company and subsidiary companies under the group relief system, subject to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authorities of Singapore. Current year tax expense of the Company is net of the tax effect of the unabsorbed capital allowances and trade losses transferred.

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 owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts is calculated by dividing profit for the financial year attributable to owners 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.

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	
	2010	**2009**
	$'000	$'000
Profit net of tax attributable to owners of the parent used in the computation of basic and diluted earnings per share	15,066	14,900

	No. of shares '000	**No. of shares** '000
Weighted average number of ordinary shares for basic earnings per share computation *	189,872	189,381
Effects of dilution : share options	–	–
Weighted average number of ordinary shares for diluted earnings per share computation	189,872	189,381

* The weighted average numbers takes into account the weighted average effect of changes in treasury shares transactions during the year.

There are no outstanding share options as at financial year ended 31 December 2010.

Notes to the Financial Statements
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12. Property, plant and equipment

Group	Freehold land and buildings under construction	Machinery and exhibition equipment	Office equipment and computers	Motor vehicles	Furniture and fittings	Renovations	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
At 1 January 2009	–	14,394	2,804	1,008	554	1,435	20,195
Additions	–	486	469	245	29	248	1,477
Reclassification	–	43	(8)	–	10	1	46
Disposals/write-offs	–	(65)	(488)	(84)	(47)	(9)	(693)
Exchange differences	–	11	1	9	(3)	(9)	9
At 31 December 2009 and 1 January 2010	–	14,869	2,778	1,178	543	1,666	21,034
Additions	4,163	1,094	549	100	102	197	6,205
Reclassification	–	–	(36)	–	(7)	(120)	(163)
Adjustments	–	–	(9)	–	–	–	(9)
Disposals/write-offs	–	(222)	(662)	(256)	(279)	(161)	(1,580)
Exchange differences	–	(29)	(5)	(25)	3	(33)	(89)
At 31 December 2010	4,163	15,712	2,615	997	362	1,549	25,398
Accumulated depreciation:							
At 1 January 2009	–	5,311	1,496	437	265	532	8,041
Reclassification	–	–	37	–	8	1	46
Charge for the financial year	–	2,733	527	163	79	230	3,732
Disposals/write-offs	–	(63)	(467)	(52)	(39)	(6)	(627)
Exchange differences	–	15	4	5	(2)	(4)	18
At 31 December 2009 and 1 January 2010	–	7,996	1,597	553	311	753	11,210
Reclassification	–	–	(35)	–	(8)	(120)	(163)
Adjustments	–	–	(2)	–	–	–	(2)
Charge for the financial year	–	2,610	438	157	61	339	3,605
Disposals/write-offs	–	(222)	(424)	(168)	(201)	(98)	(1,113)
Exchange differences	–	(8)	(3)	(13)	8	(13)	(29)
At 31 December 2010	–	10,376	1,571	529	171	861	13,508
Net carrying amount:							
At 31 December 2009	–	6,873	1,181	625	232	913	9,824
At 31 December 2010	4,163	5,336	1,044	468	191	688	11,890

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

Company	Office equipment and computers $'000	Motor vehicles $'000	Furniture and fittings $'000	Renovations $'000	Total $'000
Cost:					
At 1 January 2009	301	6	13	161	481
Additions	44	–	–	3	47
Write-offs	(108)	–	–	(1)	(109)
At 31 December 2009 and 1 January 2010	237	6	13	163	419
Additions	122	–	–	–	122
Write-offs	(7)	–	–	–	(7)
At 31 December 2009	352	6	13	163	534
Accumulated depreciation:					
At 1 January 2009	206	5	8	28	247
Charge for the financial year	41	1	2	24	68
Write-offs	(108)	–	–	–	(108)
At 31 December 2009 and 1 January 2010	139	6	10	52	207
Charge for the financial year	55	–	1	25	81
Write-offs	(7)	–	–	–	(7)
At 31 December 2010	187	6	11	77	281
Net carrying amount:					
At 31 December 2009	98	–	3	111	212
At 31 December 2010	165	–	2	86	253

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

(a) The Group's depreciation charge for the year is analysed as follows:

	2010 $'000	2009 $'000
Charge to cost of sales	1,981	1,981
Charge to operating expenses	1,624	1,751
Total depreciation	3,605	3,732

(b) ***Assets held under finance leases***

During the financial year, the Group acquired plant and equipment with an aggregate fair value of $63,000 (2009: $136,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to $6,152,000 (2009: $1,362,000). The initial deposit paid on acquisition of assets under finance lease amounted to $10,000 (2009: $21,000).

Leased assets are pledged as security for the related finance lease liabilities.

Net carrying amounts of assets under finance leases are as follows:

	Group	
	2010 $'000	2009 $'000
Machinery and exhibition equipment	329	595
Office equipment and computer	41	63
Motor vehicles	153	230
	523	888

(c) ***Assets under construction***

The Group's property, plant and equipment included $48,000 (2009: $Nil) which relate to expenditure for a freehold building in the course of construction.

(d) ***Capitalisation of borrowing costs***

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of freehold buildings. During the financial year, the borrowing costs capitalised as cost of property, plant and equipment amounted to $133,000 (2009: $Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.4% (2009: $Nil), which is the effective interest rate of the specific borrowing.

(e) ***Impairment of assets***

The carrying values of property, plant and equipment are reviewed for impairment by management and it was concluded that no impairment loss is required to be recognised.

13. Intangible assets

	Group		
	Goodwill	Customer relationship	Total
	$'000	$'000	$'000
Cost :			
At 1 January 2009	6,552	1,754	8,306
Exchange differences	(105)	(38)	(143)
At 31 December 2009 and 1 January 2010	6,447	1,716	8,163
Exchange differences	(422)	(153)	(575)
At 31 December 2010	6,025	1,563	7,588
Accumulated amortisation and impairment:			
At 1 January 2009	1,000	468	1,468
Amortisation (Note 9)	–	355	355
Exchange differences	–	(22)	(22)
At 31 December 2009 and 1 January 2010	1,000	801	1,801
Amortisation (Note 9)	–	331	331
Exchange differences	–	(90)	(90)
At 31 December 2010	1,000	1,042	2,042
Net carrying amount:			
At 31 December 2009	5,447	915	6,362
At 31 December 2010	5,025	521	5,546

Customer relationship intangible assets

The customer relationship intangible assets were acquired in business combinations in Year 2007 and are amortised over a period of 5 years from the date of acquisition. The amortisation expense is included in the line item "other expenses" in the income statement.

13. Intangible assets (cont'd)

Impairment testing of goodwill and customer relationship intangible assets

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

- Exhibitions and museums segment
- Interiors segment

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

	Exhibitions and museums segment		Interiors segment		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000	$'000	$'000
Goodwill	2,960	3,192	2,065	2,255	5,025	5,447
Customer relationship intangible assets	287	503	234	412	521	915
	3,247	3,695	2,299	2,667	5,546	6,362

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 the financial budgets approved by management covering a 3-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the three-year period was 10.2% (2009: 11.7%) per annum and 1% (2009: 1%) respectively. The discount rate reflects management's estimate of the risks specific to the CGUs and approximates the weighted average cost of capital for the Group. The annual growth rates used are based on management's best estimate of the long-term average growth rate relevant to the business activities. The assessment has led to management's conclusion that no impairment loss is required to be recognised for customer relationship intangible assets.

Impairment loss recognised

During the financial year ended 31 December 2010 and 2009, no impairment loss was recognised to write-down the carrying amount of goodwill attributable to both the exhibitions and museums segments, and interiors segments of a subsidiary.

14. Investments in subsidiaries

	Company	
	2010	2009
	$'000	$'000
Unquoted equity shares, at cost	20,567	16,814
Impairment loss	(550)	(550)
	20,017	16,264

Impairment testing of investment to subsidiaries

Management has assessed the carrying value of investments in subsidiaries where impairment indicators existed. No impairment loss (2009: $Nil) was recognised for the year ended 31 December 2010.

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	
		2010	2009	2010	2009
		%	%	$'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
Kingsmen Ooh-media Pte. Ltd. (a) (Singapore)	Advertising services, consultancy event management and marketing communication	70	70	203	203
Hi-Light Electrical Pte Ltd (a) (Singapore)	Electrical engineering	80	80	301	301
I-Promo Events & Marketing Pte Ltd (a) (Singapore)	Design consultancy, project and events management, and provision of special design and construction facilities to exhibitors	100	100	353	353

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31 December 2010

14. Investments in subsidiaries (cont'd)

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group		Cost	
		2010	2009	2010	2009
		%	%	$'000	$'000
Held by the Company:					
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)	Investment holding and advertising contractors	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	92.2	80.5	11,998	8,245
				20,567	16,814

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group	
		2010	2009
		%	%
Held through Kingsmen Exhibits Pte Ltd			
Kingsmen Environmental Graphics Pte Ltd (a) (Singapore)	Graphic design and productions	80	80
Held through Kingsmen Projects Pte Ltd			
K-Fix Production Sdn. Bhd. (e) (Malaysia)	Manufacturer, wholesale and trader of interiors and exhibitions 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

14. Investments in subsidiaries (cont'd)

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group 2010 %	2009 %
Held through Kingsmen Sdn Bhd			
Kingsmen 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)	Design and production of interiors, exhibitions, decorations and museums	88.5	78.9
Kingsmen Beijing Co., Limited (d) (The People's Republic of China)	Design and production of interiors, exhibitions, decorations and museums	92.2	80.5
Kingsmen Shanghai Co., Limited (d) (The People's Republic of China)	Design and production of interiors, exhibitions, decorations and museums	92.2	80.5
Kingsmen Taiwan International Co. Limited (d) (Taiwan)	Design and production of interiors, exhibitions, decorations and museums	85.7	69.2
Kingsmen Macau Limited (d) (Macau)	Design and production of interiors, exhibitions, decorations and museums	92.2	80.5

(a) Audited by Ernst & Young LLP, Singapore.
(b) Audited by member firm of Ernst & Young Global in Malaysia.
(c) Audited by Eddy Prakarsa Permana & Siddharta, Indonesia.
(d) Audited by PKF International Limited, Hong Kong.
(e) Audited by ABD Halim & Co., Malaysia.
(f) Audited by Auditing and Consulting Joint Stock Company, Vietnam.

14. Investments in subsidiaries (cont'd)

Acquisition of non-controlling interests

During the financial year, the Company acquired an additional 11.7% equity interest in Kingsmen (North Asia) Limited ("KNA") from its non-controlling interests for a cash consideration of $3,752,000. As a result of this acquisition, KNA became a 92.2% owned subsidiary of the Company. The carrying value of the net assets of KNA at effective date of acquisition was $11,413,000 and the carrying value of the additional interest acquired was $1,338,000. The difference of $2,414,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in KNA on the equity attributable to owners of the parent:

	$'000
Consideration paid for acquisition of non-controlling interests	3,752
Decrease in equity attributable to non-controlling interests	(1,338)
Decrease in equity attributable to owners of the parent	2,414

During the financial year, the Group's subsidiary company ("KNA") acquired an additional 7% equity interest in Kingsmen Taiwan International Co. Limited ("KTWN") from its non-controlling interests for a cash consideration of $21,000. As a result of this acquisition, KTWN became a 93% owned subsidiary of KNA. The carrying value of the net assets of KTWN at effective date of acquisition was $96,000 and the carrying value of the additional interest acquired was $7,000. The difference of $14,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in KTWN on the equity attributable to owners of the parent:

	$'000
Consideration paid for acquisition of non-controlling interests	21
Decrease in equity attributable to non-controlling interests	(7)
Decrease in equity attributable to owners of the parent	14

During the last financial year, the Company acquired an additional 30% equity interest in I-Promo Events and Marketing Pte Ltd ("IPM") from its non-controlling interests for a cash consideration of $182,000. As a result of the acquisition, IPM became a wholly-owned subsidiary of the Company. The carrying amount of the net assets of IPM at effective date of acquisition was $608,000 and the carrying value of additional interest acquired was $182,000. There was no difference between the consideration and the carrying value of the additional interest acquired.

14. Investments in subsidiaries (cont'd)

Disposal of non-controlling interests

During the financial year, the Group's subsidiary company ("KNA") disposed of a 2% equity interest in Kingsmen Hong Kong Limited (KHK) to its non-controlling interests for a cash consideration of $97,000. As a result of this disposal KHK became a 96% owned subsidiary of KNA. The carrying value of the net assets of KHK as at effective date of disposal was $3,746,000 and the carrying value of the interest disposed was $75,000. The difference of $22,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

	$'000
Consideration received for disposal of non-controlling interests	97
Increase in equity attributable to non-controlling interests	(75)
Increase in equity attributable to owners of the parent	22

15. Investments in associates

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	5,680	5,100	5,680	5,100
Acquisition of unquoted preference shares, at cost	264	264	264	264
	5,944	5,364	5,944	5,364
Exchange differences	(265)	(156)	–	–
Share of post-acquisition reserves:				
At beginning of year	1,359	973	–	–
Share of post-acquisition profits (net of tax)	151	396	–	–
Share of post-acquisition revaluation reserve	–	148	–	–
Amortisation of intangible assets (net of tax)	(64)	(64)	–	–
Dividend declared	(12)	(94)	–	–
At end of year	1,434	1,359	–	–
Carrying amount of associates	7,113	6,567	5,944	5,364

15. Investments in associates (cont'd)

The details of goodwill and intangible assets (net of amortisation and deferred tax) which are included in the carrying amount of associates are as follows:

	Group	
	2010	**2009**
	$'000	$'000
Goodwill	4,081	3,828
Rights representation and event ownership	96	160
	4,177	3,988

Deferred cash consideration

The Company acquired a 30% equity interest in Enterprise Sports Group Pte Ltd ("ESG") for a cash consideration of $585,000 during the financial year ended 2007. Based on the sale and purchase agreement, an additional cash consideration totalling $195,000 will be payable should ESG meet certain stipulated cumulative profit before tax over the financial years ended 31 December 2007, 2008 and 2009. Based on the audited accounts for the financial years ended 31 December 2008, ESG has met the profit guarantee and, therefore, $65,000 each was paid out during the financial year ended 2009 (Note 25).

Impairment assessment of goodwill

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 the financial budgets approved by management covering a reasonable period of time, and using a pre-tax discount rate of 10.2% (2009: 11.7%) per annum. The discount rate reflects management's estimate of the risks specific to the CGUs, which was the weighted average cost of capital for the Group. The annual growth rates used is based on management's best estimates of 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.

15. Investments in associates (cont'd)

Amortisation of intangible assets

Intangible assets consisting of rights representation and event ownership for ESG 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	
		2010	2009	2010	2009
		%	%	$'000	$'000
Ascend Com 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	1,017	1,017
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)	Design and production of interiors, exhibitions, decorations and museums	25	25	2,637	2,637
Enterprise Sports Group Pte Ltd (iv) (Singapore)	Sports event marketing, public relations and organising	30	30	780	780
Kingsmen Fairtech International Pvt. Ltd (v) (India)	Design and production of interiors, exhibitions, decorations and museums	35	#	580	#
				5,944	5,364

15. Investments in associates (cont'd)

Name of Company (Country of incorporation and business)	Principal activities	Effective equity interest held by the Group 2010 %	2009 %
Held through Kingsmen Korea Ltd.			
Kingsmen Busan Ltd (Korea)	Design and production of architectural interiors and decorations for museums & commercial interiors and integrated marketing communication	30	30
Held through Kingsmen Nikko Limited			
Kingsmen Project Japan Limited (Japan)	Advertising contractors and agents, design and production of exhibitions, decorations and museums	24	24
Kingsmen Architects and Design Limited (Japan)	Design consultancy and planning management	21	21

(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.
(v) Audited by Gupta Garg & Agrawal Chartered Accountants, India.

During the financial year, the Group has completed the acquisition of an additional 15.5% in Kingsmen Fairtech International Pvt. Ltd ("KFI"). Upon completion of the acquisition, KFI which was previously an investment became an associated company of the Group.

15. Investments in associates (cont'd)

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

	Group	
	2010	2009
	$'000	$'000
Assets and liabilities:		
Current assets	22,970	20,637
Non-current assets	8,806	6,919
Total assets	31,776	27,556
Current liabilities	20,780	18,109
Non-current liabilities	1,981	1,204
Total liabilities	22,761	19,313
Results:		
Revenue for the year/period @	65,404	54,129
Profit for the year/period @	203	1,261

@ Included in revenue and profit for the year 2010 are revenue and profit for KFI for the period from 1 April to 31 December 2010 after it became an associated company of the Group.

16. Other investments

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Available-for-sale financial assets:				
Unquoted equity shares	543	805	543	805

Unquoted equity shares

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

17. Inventories

	Group	
	2010	2009
	$'000	$'000
Balance sheet :		
Project materials	142	66
Income statement :		
Inventories recognised as an expense in cost of sales (Note 9)	246	132

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

	Group	
	2010	2009
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	27,083	21,237
Less: Progress billings	(15,835)	(13,764)
	11,248	7,473
Presented as:		
Gross amount due from customers for contract work	14,004	10,086
Gross amount due to customers for contract work	(2,756)	(2,613)
	11,248	7,473

In respect of the contracts work-in-progress at 31 December 2010 and 2009, the following are included in external parties trade receivables (Note 19):

Retention sums	779	356
Advance billings (Note 24)	2,292	2,445
	3,071	2,801

19. Trade receivables

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Subsidiaries [2]	–	–	559	301
Related parties [2]	140	383	139	211
Associates [2]	2,927	2,660	554	382
External parties	66,650	74,277	25	19
Total trade receivables [1]	69,717	77,320	1,277	913
Allowance for doubtful debts	(829)	(1,651)	–	–
Carrying amounts of trade receivables	68,888	75,669	1,277	913
Bad trade debts recovered (Note 9)	–	(110)	–	–
Bad trade debts written off (Note 9)	38	96	–	–

[1] Trade receivables are non-interest bearing and are generally on 60 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition. At 31 December 2010, included in trade receivables is an amount of $3,071,000 (2009: $2,801,000) (Note 18), which relates to retention sums and advance billings.

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

Receivables that are past due but not impaired

The Group has trade receivables amounting to $13,064,000 (2009: $6,272,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2010	2009
	$'000	$'000
Trade receivables past due but not impaired:		
Less than 30 days	2,546	1,548
30 to 60 days	1,302	1,120
61 to 90 days	2,595	562
More than 90 days	6,621	3,042
	13,064	6,272

19. Trade receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2010	**2009**
	$'000	$'000
Trade receivables – nominal amounts	1,432	1,788
Less: Allowance for impairment	(829)	(1,651)
	603	137
Movement in allowance account:		
At 1 January	1,651	1,690
Charge for the year (Note 9)	160	134
Written back (Note 9)	–	(100)
Written off	(1,005)	(53)
Exchange differences	23	(20)
At 31 December	829	1,651

Trade receivables that are individually determined to be impaired at the end of the reporting period 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.

20. Other receivables

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Other receivables (current):				
Other receivables	5,306	3,977	610	992
Staff advances and loans [1]	306	318	1	4
Refundable deposits	690	1,004	1	1
Income tax recoverable	98	320	–	–
	6,400	5,619	612	997
Other receivables (non-current):				
Other receivables	29	19	–	–
Staff loans [1]	8	14	–	–
	37	33	–	–

[1] Staff advances and loans are unsecured. Non-current amounts have an average maturity of 2 years (2009: 1 year).

20. Other receivables (cont'd)

Included in other receivables of the Company are amounts due from subsidiaries, associates and related parties amounting to $397,000 (2009: $466,000), $91,000 (2009: $24,000) and $12,000 (2009: $25,000) respectively. These amounts are non-interest bearing and repayable on demand.

Included in other receivables of the Group and the Company, as at 31 December 2009 is an amount of $318,000 for advance cash consideration payment relating to additional 15.5% share acquisition in Kingsmen Fairtech International Pvt. Ltd.

Included in other receivables of the Group are amounts due from associates and related parties of $108,000 (2009: $46,000) and $12,000 (2009: $32,000) respectively. These amounts are non-interest bearing and repayable on demand.

21. Amounts due from/(to) subsidiaries/associates

The amounts due from/(to) subsidiaries are non-trade in nature, unsecured, bear interest at 2.04% to 5% (2009: 2.18% to 3.5%) 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 associates relate to loans which are non-trade in nature, unsecured and are repayable on demand, of which an amount of $184,000 (2009: $Nil) bears interest at 6% (2009: Nil) per annum.

22. Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cash at banks and in hand	21,301	16,218	1,495	247
Short-term deposits	8,602	6,609	287	1,492
Cash and short-term deposits	29,903	22,827	1,782	1,739

Cash at banks earns interest at rates based on daily bank deposit rates. Short-term deposits are placed for varying periods from one month to one year (2009: one week to one year) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates.

The short-term deposits bear interest rate at 0.085% to 2.5% (2009: 0.0875% to 2%) per annum and 0.1% to 0.45% (2009: 0.15% to 0.45%) per annum respectively for the Group and the Company during the financial year.

22. Cash and cash equivalents (cont'd)

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Singapore Dollar	818	144	–	–
United States Dollar	3,210	3,539	–	–
Hong Kong Dollar	177	8	–	–

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2010	2009
	$'000	$'000
Cash and short-term deposits	29,903	22,827
Bank overdrafts (Note 26)	(198)	(378)
	29,705	22,449
Amount pledged to banks for banking facilities	(1,676)	(2,130)
Cash and cash equivalents	28,029	20,319

23. Trade payables

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Related parties [1]	168	183	–	–
Associates [1]	2,297	1,831	–	–
External parties	35,199	35,053	–	–
Total trade payables	37,664	37,067	–	–

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

24. Deferred income

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Deferred income comprising :				
Advance billings receivable (Note 18)	2,292	2,445	–	–
Advance billings received	1,313	892	–	–
	3,605	3,337	–	–

This refers to advance billings to customers for projects that would commence within the next 12 months.

25. Other payables and accruals

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Other payables and accruals (current) :				
Accrued project costs	15,306	18,116	–	–
Accrued operating expenses	11,086	10,838	836	811
Deposits received	88	67	16	16
Other payables	3,364	3,155	362	295
Provision for unutilised leave	458	460	67	36
	30,302	32,636	1,281	1,158
Other payables (non-current):				
Post employment benefits	107	95	–	–

Included in other payables and accruals of the Group are amounts due to associates of $Nil (2009: $332,000) which are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Included in other payables of the Group and the Company is an amount of deferred cash settlement of $Nil (2009: $65,000) relating to the acquisition of an associate (Note 15).

Included in other payables of the Company are amounts due to subsidiaries of $137,000 (2009: $122,000). The amount is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

26. Loans and borrowings

	Maturity	Group 2010 $'000	Group 2009 $'000
Current:			
Obligations under finance leases (Note 31)	2011	164	325
Trust receipts	2011	710	148
Bank overdrafts (Note 22)	On demand	198	378
Bank term loan			
- MYR bank term loan at BLR - 2% p.a.	2011	1,941	–
- MYR bank term loan at BECOF + 1.5% p.a.	2011	140	–
- VND bank short term loan at BLR + 2% p.a.	2011	181	164
		3,334	1,015
Non-current:			
Obligations under finance leases (Note 31)	2012-2015	147	276
Bank term loan			
- MYR bank term loan at BECOF + 1.5% p.a.		1,809	–
		1,956	276
Total loans and borrowings		5,290	1,291

Bank overdrafts

Bank overdrafts are denominated in Malaysian Ringgit ("MYR"), bear interest at bank lending rate ("BLR") + 1.5% p.a. (2009: BLR + 1.25% p.a.) and are secured by corporate guarantee of its subsidiary in Malaysia and personal guarantees given by certain directors of its subsidiaries.

VND bank short-term loan at BLR + 2% p.a.

This short-term loan is fully repayable on February 2011 and is secured by a corporate guarantee of the Company.

MYR bank term loan at BLR - 2% p.a.

This callable bank term loan is secured by a first mortgage over certain of the Group's freehold building, corporate guarantee of its subsidiary in Malaysia and personal guarantees given by certain directors of its subsidiary.

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

This bank loan bears interest at bank effective costs of funds ("BECOF"), fully repayable in 2020 and is secured by a first mortgage over certain of the Group's freehold buildings, corporate guarantee of its subsidiary in Malaysia and personal guarantees given by certain directors of its subsidiary.

27. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
As at 1 January	948	890	22	19
Exchange differences	(32)	(14)	–	–
Charge during the financial year (Note 10(a))	259	72	8	3
As at 31 December	1,175	948	30	22

Deferred taxation as at 31 December relates to the following:

Deferred tax liabilities:				
Differences in depreciation for tax purposes	950	549	41	28
Intangible assets	153	268	–	–
Sales tax	241	255	–	–
Other items	–	24	–	–
Gross deferred tax liabilities	1,344	1,096	41	28
Deferred tax assets:				
Provision for Kingsmen Performance Share Scheme	(69)	(42)	–	–
Provision for unutilised leave	(66)	(71)	(11)	(6)
Unutilised tax losses and unutilised capital allowances	(6)	(6)	–	–
Other items	(28)	(29)	–	–
Gross deferred tax assets	(169)	(148)	(11)	(6)
Net deferred tax liabilities	1,175	948	30	22

27. Deferred tax (cont'd)

Unrecognised tax losses

As at 31 December 2010, the Group has unabsorbed tax losses and unutilised capital allowances carried forward totalling approximately $754,000 (2009: $579,000), 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.

Unrecognised temporary differences relating to investments in subsidiaries and associates

At the end of the reporting period, no deferred tax liability (2009: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries and associates as the Group has determined that undistributed earnings of its subsidiaries and associates will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $772,000 (2009: $519,000). The deferred tax liability is estimated to be $131,000 (2009: $88,000).

Tax consequences of proposed dividends

There are no income tax consequences (2009: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

28. Share capital and treasury shares

(a) ***Share capital***

	Group and Company	
	2010	**2009**
	$'000	$'000
Issued and fully paid ordinary shares		
At 1 January and 31 December		
194,183,151 (2009: 194,183,151) ordinary shares	23,266	23,266

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share. The ordinary shares have no par value.

The Company has an employee share option plan under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group. Further, under the Employees Performance Share Scheme, shares are awarded to directors and employees of the Company as recognition for good work performance or as annual cash bonus payment.

There are no outstanding options to subscribe for the Company's shares granted under the Kingsmen Share Option Scheme as disclosed in Note 7 to the financial statements.

28. Share capital and treasury shares (cont'd)

(b) *Treasury shares*

	Group and Company			
	2010		2009	
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
At 1 January	(4,802)	(1,850)	(4,802)	(1,850)
Reissued pursuant to Performance Share Scheme	731	281	–	–
At 31 December	(4,071)	(1,569)	(4,802)	(1,850)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company reissued 731,000 (2009: Nil) treasury shares pursuant to its performance share scheme at a weighted average exercise price of $0.38 (2009: Nil) each.

29. Other reserves

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Asset revaluation reserve	148	148	–	–
Foreign currency translation reserve	(2,042)	(762)	–	–
Statutory reserve fund	195	195	–	–
Gain or loss on reissuance of treasury shares	173	–	173	–
Premium paid on acquisition of non-controlling interests	(2,406)	–	–	–
	(3,932)	(419)	173	–

29. Other reserves (cont'd)

(a) ***Asset revaluation reserve***

The asset revaluation reserve represents increases in the fair value of freehold land and building, net of tax, in an associate.

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
At 1 January	148	–	–	–
Surplus arising from revaluation of freehold land and building of an associate, net	–	148	–	–
At 31 December	148	148	–	–

(b) ***Foreign currency translation reserve***

Foreign currency translation reserve represents 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	
	2010	**2009**
	$'000	$'000
At 1 January	(762)	(565)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(1,280)	(197)
At 31 December	(2,042)	(762)

29. Other reserves (cont'd)

(c) ***Statutory reserve fund***

In accordance with the Foreign Enterprise Law applicable to a subsidiary in the People's Republic of China ("PRC"), the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
At 1 January	195	–	–	–
Transferred from retained profit	–	195	–	–
At 31 December	195	195	–	–

(d) ***Gain or loss on reissuance of treasury shares***

This represents the gain or loss arising from purchase, sale, issue or cancellation of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
At 1 January	–	–	–	–
Gain on reissuance of treasury shares during the year taken to equity	173	–	173	–
At 31 December	173	–	173	–

29. Other reserves (cont'd)

(e) ***Premium paid on acquisition of non-controlling interests***

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
At 1 January	–	–	–	–
Acquisition of non-controlling interests	(2,428)	–	–	–
Disposal of non-controlling interests	22	–	–	–
At 31 December	(2,406)	–	–	–

30. Dividends

	Group and Company	
	2010	**2009**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares		
- Interim exempt (one-tier) dividend for 2010: 1.50 cents (2009: 1.50 cents) per share	2,852	2,841
- Final exempt (one-tier) dividend for 2009: 2.00 cents (2008: 1.50 cents) per share*	3,802	2,840
	6,654	5,681
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting		
- Final exempt (one-tier) dividend for 2010: 2.50 cents (2009: 2.00 cents) per share	4,753	3,788*

* The difference in amounts arises from the reissuance of treasury shares which are entitled to the dividend.

31. Commitments

(a) ***Finance lease commitments – as lessee***

The Group has finance leases for certain items of plant and equipment. There are no restrictions placed upon the Group by entering into these leases. 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 5 (2009: 1 to 5) years. The average effective interest rate implicit in the finance lease obligations is 3.41% (2009: 3.15%) per annum.

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

	Group			
	2010		2009	
	Minimum lease payments $'000	Present value of payments (Note 26) $'000	Minimum lease payments $'000	Present value of payments (Note 26) $'000
Not later than one year	177	164	349	325
Later than one year but not later than five years	158	147	296	276
Total minimum lease payments	335	311	645	601
Less: Amounts representing finance charges	(24)	–	(44)	–
Present values of minimum lease payments	311	311	601	601

(b) ***Operating lease commitments – as lessee***

The Group has entered into lease agreements for office premises. These leases have an average life of between 1 to 6 (2009: 1 to 7) 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. Minimum lease payments recognised in the income statement for the financial year ended 31 December 2010 amounted to $3,448,000 (2009: $3,170,000).

31. Commitments (cont'd)

(b) ***Operating lease commitments – as lessee (cont'd)***

Future minimum lease payments payable under non-cancellable operating leases at the end of the reporting period are as follows :

	Group	
	2010	**2009**
	$'000	$'000
Not later than one year	2,925	4,092
Later than one year but not later than five years	7,862	8,958
Later than five years	643	711
	11,430	13,761

(c) ***Operating lease commitments - as lessor***

The Group and the Company have entered into lease agreements for office premises and machinery. These non-cancellable leases have remaining non-cancellable lease terms ranging from 1 to 2 (2009: 1 to 3) year 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	
	2010	**2009**	**2010**	**2009**
	$'000	$'000	$'000	$'000
Not later than one year	295	214	–	1,439
Later than one year but not later than five years	184	191	–	–
	479	405	–	1,439

32. Contingent liabilities

Arbitration proceedings

During the year, arbitration proceedings have commenced between a subsidiary of the Group and a subcontractor, in respect of claims relating to the structural steel works undertaken for the attraction at Universal Studios Singapore.

The proceedings involve both claims and cross claims between the parties. As at the date of this report, the Group was unable to determine the probable outcome as the extent of the claims and cross claims are not definite.

Guarantees

The Company has provided corporate guarantees to banks for performance guarantees of $7,424,000 (2009: $11,022,000) utilised by the Company and its subsidiaries.

33. 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 transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2010	**2009**
	$'000	$'000
Associates :		
Sales	(3,081)	(4,362)
Purchases	6,461	3,472
Corporate fee income	(290)	(276)
Management fee income	–	(145)
Interest income	(17)	(8)
Dividend income	(12)	(94)
Related parties :		
Sales	(256)	(182)
Purchases	152	324
Corporate fee income	(98)	(211)
Consultancy fee income	–	(24)
Dividend income	(43)	(37)

(b) ***Compensation of key management personnel***

Short-term employee benefits (including directors' fees)	9,053	8,360
Contributions to defined contribution plans	149	169
Total compensation paid to key management personnel *	9,202	8,529
** Comprises amounts paid to :*		
Directors and key management personnel of the Company	3,376	3,399
Directors of the subsidiaries (Note 9)	5,826	5,130
	9,202	8,529

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

34. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has five reportable operating segments as follows:

Exhibitions and Museums

This segment relates to the production of exhibition displays for trade shows and promotional events, interiors and displays for museums and visitor centres, as well as the production of thematic and scenic displays for theme parks.

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.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

34. Segment information (cont'd)

	Exhibitions and museums		Interiors		Research and Design		Integrated marketing communication		Corporate and others		Elimination		Consolidation	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue														
Sales to external customers	105,190	137,455	116,580	93,668	6,430	5,756	6,990	5,157	–	–	–	–	235,190	242,036
Inter-segment sales	13,641	4,991	3,768	2,994	5	1	563	513	–	–	(17,977)	(8,499)	–	–
Total revenue	118,831	142,446	120,348	96,662	6,435	5,757	7,553	5,670	–	–	(17,977)	(8,499)	235,190	242,036
Segment results														
Interest income	–	–	–	–	–	–	–	–	–	–	–	–	190	141
Interest expense	–	–	–	–	–	–	–	–	–	–	–	–	(84)	(129)
Amortisation of intangible assets acquired	(182)	(195)	(149)	(160)	–	–	–	–	–	–	–	–	(331)	(355)
Depreciation of property, plant and equipment	(625)	(570)	(692)	(945)	(89)	(98)	(136)	(68)	(82)	(70)	–	–	(1,624)	(1,751)
Gain on disposal of property, plant and equipment	21	9	1	3	–	–	–	–	–	–	–	–	22	12
Net bad trade debt (written off)/ recovered	(20)	(43)	(17)	(52)	(1)	–	–	–	–	109	–	–	(38)	14
Net allowance for doubtful trade debts	(139)	(94)	(16)	82	–	(24)	(5)	2	–	–	–	–	(160)	(34)
Share of results of associates	83	255	4	77	–	–	–	–	–	–	–	–	87	332
Segment profit/(loss)	7,420	8,891	11,925	8,736	1,386	1,328	(21)	815	(998)	(843)	–	–	19,712	18,927
Non-current assets:														
Investments in associates	4,373	4,060	2,740	2,507	–	–	–	–	–	–	–	–	7,113	6,567
Additions to plant and equipment	2,827	802	2,598	461	89	34	510	123	181	57	–	–	6,205	1,477

34. Segment information (cont'd)

Geographical information

Revenue by geographical location are 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	
	2010	**2009**
	$'000	$'000
Sales by geographical location are as follows:		
Singapore	110,217	145,962
Greater China	53,588	44,651
United States and Canada	17,440	5,388
Malaysia	14,563	12,508
Rest of Asia	12,806	6,086
Europe	11,195	14,529
Vietnam	7,609	4,652
Indonesia	5,194	3,456
Middle East	2,281	4,071
Others	297	733
	235,190	242,036
Carrying amounts of non-current assets based on geographical location of assets are as follows:		
Singapore	6,317	7,878
Greater China	5,668	6,791
Malaysia	4,547	609
Vietnam	724	747
Indonesia	180	161
	17,436	16,186

Non-current assets information presented above consist of property, plant and equipment, and intangible assets as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major group of customers amounted to approximately $12,035,000 (2009: $80,490,000), arising from contract revenue of both the exhibitions and museums segment and interiors segment.

35. Financial risk management objectives and policies

The Group and the Company are 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 Financial 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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks, except as disclosed in Note 35(a) Credit risk section.

(a) ***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 short-term deposits), the Group and the Company minimises 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 end of the reporting period, 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.

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

(a) *Credit risk (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 receivables at the end of the reporting period is as follows:

	Group			
	2010		2009	
	$'000	% of total	$'000	% of total
By industry sectors:				
Exhibitions and museums	29,751	43.2	42,463	56.1
Interiors	30,712	44.6	29,286	38.7
Research and design	5,099	7.4	762	1.0
Integrated marketing communication	2,563	3.7	2,547	3.4
Corporate and others	763	1.1	611	0.8
Trade receivables	68,888	100.0	75,669	100.0

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Financial assets – loans and receivables :				
Trade receivables	68,888	75,669	1,277	913
Other receivables	6,400	5,619	612	997
Amounts due from subsidiaries	–	–	1,308	1,141
Amounts due from associates	714	–	714	–
Cash and short-term deposits	29,903	22,827	1,782	1,739
Total loans and receivables	105,905	104,115	5,693	4,790

At the end of the reporting period, approximately:

- 13% (2009: 16%) of the Group's trade receivables were due from 5 major customers who are located in Asia, Europe and the United States; and

- 4% (2009: 4%) 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.

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

(a) ***Credit risk (cont'd)***

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 short-term deposits, and other investments that are neither past due nor 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).

(b) ***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, Malaysian Ringgit (MYR), Renminbi (RMB) and Hong Kong Dollar (HKD). The foreign currencies in which these transactions are denominated are mainly MYR and US Dollars (USD). Approximately 12% (2009: 15%) of the Group's sales are denominated in foreign currencies whilst almost 80% (2009: 90%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payables at the end of the reporting period have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances (mainly in USD) amounted to $3,210,000 (2009: $3,539,000) and $Nil (2009: $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 2010, 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.

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

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

Sensitivity analysis for foreign currency risk

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

		Group	
		2010 Profit net of tax $'000	2009 Profit net of tax $'000
USD	- strengthened 3% (2009: 3%)	+84	+118
	- weakened 3% (2009: 3%)	-84	-118
RMB	- strengthened 3% (2009: 3%)	+190	+223
	- weakened 3% (2009: 3%)	-190	-223
HKD	- strengthened 3% (2009: 3%)	+111	+37
	- weakened 3% (2009: 3%)	-111	-37
MYR	- strengthened 3% (2009: 3%)	-60	+50
	- weakened 3% (2009: 3%)	+60	-50

(c) *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 loans and borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate exposure. All of the Group's and the Company's financial assets and liabilities at floating rates are continually re-priced at intervals of less than 6 months (2009: less than 6 months) from the end of the reporting period. Information relating to the Group's interest rate exposure is disclosed in Notes 26 and 31 to the financial statements.

Sensitivity analysis for interest rate risk

The below table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant of the Group's profit net of tax (through the impact on interest expense on floating rate loans and borrowings).

	Increase/decrease in basis points	Group	
		2010 Effect on profit net of tax $'000	2009 Effect on profit net of tax $'000
- MYR	+75	-30	-3
	-75	+30	+3
- Vietnam Dong	+75	-1	-1
	-75	+1	+1

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

(d) ***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 end of the reporting period, approximately 63% (2009: 79%) of the Group's loans and borrowings (Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements. None (2009: none) of the Company's loans and borrowings will mature in less than one year at the end of the reporting period.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted payment obligations:

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

(d) *Liquidity risk (cont'd)*

	2010				2009			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group								
Financial assets								
Other investments	–	543	–	543	–	805	–	805
Trade receivables	68,888	–	–	68,888	75,669	–	–	75,669
Other receivables	6,400	37	–	6,437	5,619	33	–	5,652
Amount due from associates	714	–	–	714	–	–	–	–
Cash and short-term deposits	29,903	–	–	29,903	22,827	–	–	22,827
Total undiscounted financial assets	105,905	580	–	106,485	104,115	838	–	104,953
Financial liabilities								
Trade payables	37,664	–	–	37,664	37,067	–	–	37,067
Other payables and accruals	29,844	107	–	29,951	32,176	95	–	32,271
Loans and borrowings	3,347	1,967	–	5,314	1,039	296	–	1,335
Total undiscounted financial liabilities	70,855	2,074	–	72,929	70,282	391	–	70,673
Total net undiscounted financial assets/ (liabilities)	35,050	(1,494)	–	33,556	33,833	447	–	34,280

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

(d) *Liquidity risk (cont'd)*

	2010				2009			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company								
Financial assets								
Other investments	–	543	–	543	–	805	–	805
Trade receivables	1,277	–	–	1,277	913	–	–	913
Other receivables	612	–	–	612	997	–	–	997
Amounts due from subsidiaries	1,308	–	–	1,308	1,141	–	–	1,141
Amount due from associates	714	–	–	714	–	–	–	–
Cash and short-term deposits	1,782	–	–	1,782	1,739	–	–	1,739
Total undiscounted financial assets	5,693	543	–	6,236	4,790	805	–	5,595
Financial liabilities								
Other payables and accruals	1,214	–	–	1,214	1,122	–	–	1,122
Amounts due to subsidiaries	4,157	–	–	4,157	1,530	–	–	1,530
Total undiscounted financial liabilities	5,371	–	–	5,371	2,652	–	–	2,652
Total net undiscounted financial assets	322	543	–	865	2,138	805	–	2,943

36. 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 short-term deposits, other receivables, other payables and accruals, amounts due from/(to) subsidiaries (non-trade), amounts due from associates and current bank term loan*

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

(ii) *Trade receivables and trade payables*

The carrying amounts of these balances 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.

(iv) *Financial liabilities at amortised cost: Finance lease obligations*

Set out below is a comparison of the 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	2010	2009	2010	2009
		$'000	$'000	$'000	$'000
Finance lease obligations	31	311	601	254	492

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 interest rates on or near the end of the reporting period.

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

(vi) *Classification of financial instruments*

Set out below is a comparison by category of carrying amounts of all the Group's financial instruments that are carried in the financial statements:

2010	Loans and receivables $'000	Available for sale $'000	Non-financial assets $'000	Total $'000
Assets				
Property, plant and equipment	–	–	11,890	11,890
Intangible assets	–	–	5,546	5,546
Investment in associates	–	–	7,113	7,113
Other investments	–	543	–	543
Other receivables, non-current	37	–	–	37
Inventories	–	–	142	142
Gross amount due from customers for contract work-in-progress	–	–	14,004	14,004
Trade receivables	68,888	–	–	68,888
Other receivables, current	6,400	–	–	6,400
Prepaid operating expenses	–	–	395	395
Amount due from associates	714	–	–	714
Cash and short-term deposits	29,903	–	–	29,903
	105,942	543	39,090	145,575

2010	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
Liabilities			
Gross amount due to customers for contract work-in-progress	–	2,756	2,756
Trade payables	37,664	–	37,664
Deferred income	–	3,605	3,605
Other payables and accruals, current	29,844	458	30,302
Loans and borrowings, current	3,334	–	3,334
Income tax payable	–	5,276	5,276
Other payables, non-current	107	–	107
Loans and borrowings, non-current	1,956	–	1,956
Deferred tax liabilities	–	1,175	1,175
	72,905	13,270	86,175

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

(vi) *Classification of financial instruments (cont'd)*

2009	Loans and receivables $'000	Available for sale $'000	Non-financial assets $'000	Total $'000
Assets				
Property, plant and equipment	–	–	9,824	9,824
Intangible assets	–	–	6,362	6,362
Investment in associates	–	–	6,567	6,567
Other investments	–	805	–	805
Other receivables, non-current	33	–	–	33
Inventories	–	–	66	66
Gross amount due from customers for contract work-in-progress	–	–	10,086	10,086
Trade receivables	75,669	–	–	75,669
Other receivables, current	5,619	–	–	5,619
Prepaid operating expenses	–	–	298	298
Cash and short-term deposits	22,827	–	–	22,827
	104,148	805	33,203	138,156

2009	Liabilities at amortised cost $'000	Non-financial liabilities $'000	Total $'000
Liabilities			
Gross amount due to customers for contract work-in-progress	–	2,613	2,613
Trade payables	37,067	–	37,067
Deferred income	–	3,337	3,337
Other payables and accruals, current	32,176	460	32,636
Loans and borrowings, current	1,015	–	1,015
Income tax payable	–	5,298	5,298
Other payables, non-current	95	–	95
Loans and borrowings, non-current	276	–	276
Deferred tax liabilities	–	948	948
	70,629	12,656	83,285

37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business, maximise shareholder value and fulfill all borrowing covenants.

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 2010 and 31 December 2009.

As disclosed in Note 29(c), a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2010 and 2009.

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, loans and borrowings, and trade and other payables. Capital includes equity attributable to the owners of the parent.

	Group	
	2010	**2009**
	$'000	$'000
Loans and borrowings (Note 26)	5,290	1,291
Trade and other payables and accruals (Notes 23 and 25)	68,073	69,798
Net debt	73,363	71,089
Equity attributable to the owners of the parent	57,056	51,876
Capital and net debt	130,419	122,965
Gearing ratio	56%	58%

38. Events occurring after the reporting period

On 18 February 2011, the Singapore Finance Minister announced enhancements to the Productivity and Innovation Credit ("PIC") Scheme which will be effective from Year of Assessment 2011. The enhancements increased the PIC tax deduction to 400% (from 250%) on the first $400,000 (from $300,000) of qualifying expenditure.

The financial statements for the year ended 31 December 2010 have not been adjusted for the financial effect of the PIC Scheme enhancements.

39. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 18 March 2011.

Statistics of Shareholdings

As at 16 March 2011

SHAREHOLDERS' INFORMATION

Number of shares issued (excluding Treasury Shares)	:	190,201,551
Number/Percentage of Treasury Shares	:	3,981,600 (2.09%)
Class of Shares	:	ordinary shares
Voting rights	:	one vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	29	2.25	14,000	0.01
1,000 - 10,000	597	46.32	3,600,900	1.89
10,001 - 1,000,000	640	49.65	36,823,920	19.36
1,000,001 and above	23	1.78	149,762,731	78.74
Total	1,289	100.00	190,201,551	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Islanda Pte. Ltd.	37,993,060	19.98
2	O-Vest Pte. Ltd.	37,993,060	19.98
3	DBS Nominees Pte Ltd	8,490,500	4.46
4	Soh Siak Poh Benedict	7,734,439	4.07
5	Ong Chin Sim Simon	7,734,420	4.07
6	Citibank Nominees Singapore Pte Ltd	7,256,500	3.82
7	Chong Fook Seng Patrick	4,014,000	2.11
8	Raffles Nominees (Pte) Ltd	3,760,000	1.98
9	Chong Siew Ling	3,634,761	1.91
10	Ong Chin Kwan	3,611,920	1.90
11	Yee Chee Kong	3,054,099	1.61
12	Dominic Richard Pemberton	3,000,000	1.58
13	Ng Hung Chiao Michael	2,990,759	1.57
14	Alex Wee Huat Seng	2,680,599	1.41
15	Phillip Securities Pte Ltd	2,416,000	1.27
16	Cheong Chai Keng	2,275,038	1.20
17	Tan Ai Lin	2,245,573	1.18
18	Kim Eng Securities Pte. Ltd.	1,718,500	0.90
19	Tay Kay Sock Gerald	1,645,319	0.87
20	Peok Chong Eng	1,638,649	0.86
Total		145,887,196	76.73

SUBSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders as at 16 March 2011)

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Benedict Soh Siak Poh	7,734,439	4.07	37,993,060	19.88
Simon Ong Chin Sim	7,734,420	4.07	37,993,060	19.88
Islanda Pte Ltd	37,993,060	19.88	-	-
O-Vest Pte Ltd	37,993,060	19.88	-	-
Png Geok Choo Rose	-	-	37,993,060	19.88
Soh E-Ling Marianne	-	-	37,993,060	19.88
Soh Hsien Wern Gavin	-	-	37,993,060	19.88
Jillian Soh E-Ping	-	-	37,993,060	19.88
Vera Ong Lim Guek Noi	-	-	37,993,060	19.88
Ong Mei Lin Elita	-	-	37,993,060	19.88

Notes:

(1) Mr Benedict Soh Siak Poh's deemed interests refer to the 37,993,060 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 37,993,060 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 37,993,060 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 37,993,060 shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(5) Mr Soh Hsien Wern Gavin's deemed interests refer to the 37,993,060 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 37,993,060 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 37,993,060 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 37,993,060 shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

FREE FLOAT

As at 16 March 2011, approximately 39.0% of the shareholding in the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KINGSMEN CREATIVES LTD. (the "**Company**") will be held at 3 Changi South Lane Singapore 486118 on Wednesday, 27 April 2011 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of 2.00 cents per ordinary share and a special one-tier tax exempt dividend of 0.50 cent per ordinary share for the year ended 31 December 2010. **(Resolution 2)**

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

   Mr Benedict Soh Siak Poh (Article 107) **(Resolution 3)**
   Mr Prabhakaran Narayanan Nair (Article 107) **(Resolution 4)**
   [See explanatory Note (i)]

4. To approve the payment of Directors' fees of S$230,000/- for the year ended 31 December 2010 (2009: S$230,000/-). **(Resolution 5)**

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

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. Authority to allot and issue shares in the capital of the Company - Share Issue Mandate

"That, pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorized and empowered to:

(A) (i) issue shares in the Company ("**shares**") 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) options, 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 of the Company shall in their absolute discretion deem fit; and

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution shall not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company shall not exceed twenty per cent. (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and convertible securities that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST and

(c) any subsequent bonus issue, consolidation or subdivision of shares.

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

(4) unless revoked or varied by the Company in a general meeting, such 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 is required by law to be held, whichever is the earlier."

[See Explanatory Note (ii)] **(Resolution 7)**

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

"That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors be and are hereby authorised and empowered to grant options in accordance with the Kingsmen Share Option Scheme (the "**Kingsmen SOS**") and allot and issue from time to time such number of shares in the capital of the Company to the holders of options granted by the Company under the Kingsmen SOS established by the Company upon the exercise of such options in accordance with the terms and conditions of the Kingsmen SOS, provided always that the aggregate number of shares issued and issuable pursuant to the Kingsmen SOS, the Kingsmen Performance Share Scheme and any other share based incentive schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time."

[See Explanatory Note (iii)] **(Resolution 8)**

9. Authority to allot and issue shares under the Kingsmen Performance Share Scheme

"That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors be and are hereby authorised and empowered to grant awards in accordance with the Kingsmen Performance Share Scheme and allot and issue from time to time such number of shares in the capital of the Company to the holders of awards granted by the Company under the Kingsmen Performance Share Scheme established by the Company upon the vesting of such share awards in accordance with the terms and conditions of the Kingsmen Performance Share Scheme, provided always that the aggregate number of shares issued and issuable pursuant to the Kingsmen SOS, the Kingsmen Performance Share Scheme and any other share based incentive schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time."
[See Explanatory Note (iv)] **(Resolution 9)**

10. Grant of Share Awards to Roy Ong Chin Kwan under the Kingsmen Performance Share Scheme

"That the award of up to 50,000 special reward shares under the Kingsmen Performance Share Scheme to Roy Ong Chin Kwan be and is hereby approved."
[See Explanatory Note (v)] **(Resolution 10)**

11. Proposed renewal of the Share Purchase Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the **"Companies Act"**), the exercise by the directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares (**"Shares"**) in the issued share capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a **"Market Purchase"**) on the Singapore Exchange Securities Trading Limited (**"SGX-ST"**) transacted through the Central Limit Order Book (CLOB) trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases (each an **"Off-Market Purchase"**) effected otherwise than on the SGX-ST in accordance with any equal access scheme as may be determined or formulated by the directors of the Company as they consider fit, such scheme shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **"Share Purchase Mandate"**);

(b) the authority conferred on the directors of the Company pursuant to the Share Purchase Mandate may be exercised by the directors of the Company at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting;

(c) in this Resolution:

"Prescribed Limit" means 10 percent of the issued ordinary Shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution; and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105 percent of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 120 percent of the Highest Last Dealt Price,

where:

"Average Closing Price" is the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period;

"Highest Last Dealt Price" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"Day of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders of the Company stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (vi)] **(Resolution 11)**

By Order of the Board

Judith Low
Secretary

Singapore, 8 April 2011

Explanatory Notes:

(i) Mr Prabhakaran Narayanan Nair is an Independent Director of the Company. He also serves as the Chairman of the Nominating Committee and as a Member of the Audit Committee and Remuneration Committee. Upon his re-election, Mr Nair will continue to serve as the Chairman of the Nominating Committee and as a Member of Audit Committee and Remuneration Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, to allot and issue shares upon the exercise of such options in accordance with the provisions of the Kingsmen SOS.

(iv) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, to allot and issue such number of fully paid shares from time to time as may be required to be issued pursuant to the provisions of the Kingsmen Performance Share Scheme.

(v) The grant of awards to any controlling shareholders of the Company or their associates will have to be approved by shareholders of the Company. Mr Roy Ong Chin Kwan is an immediate family member of Simon Ong Chin Sim, a controlling shareholder of the Company. Mr Roy Ong is deemed to be an associate of Simon Ong. The award of up to 50,000 special reward shares to Mr Roy Ong is recommended in view of his good performance and contribution to the Group for the financial years ended 31 December 2009 and 31 December 2010.

(vi) The Ordinary Resolution 11 in item 11 above, if passed, will empower the Directors of the Company to purchase or otherwise acquire Shares by way of Market Purchases or Off-Market Purchases, provided that the aggregate number of Shares to be purchased or acquired under the Share Purchase Mandate does not exceed the Prescribed Limit, and at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price. The information relating to this proposed Ordinary Resolution is set out in the Appendix enclosed together with the Annual Report.

Notes:

1. A Member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.

2. 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.

3. 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.

4. 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 forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

APPENDIX DATED 8 APRIL 2011

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

This Appendix is circulated to the Shareholders (as defined in this Appendix) of Kingsmen Creatives Ltd. (the "**Company**") together with the Company's annual report for the year ended 31 December 2010 (the "**Annual Report**"). Its purpose is to explain to the Shareholders the rationale and provide information to the Shareholders for the proposed renewal of the Share Purchase Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held on Wednesday, 27 April 2011 at 11.00 a.m. at 3 Changi South Lane, Singapore 486118.

The Notice of the Annual General Meeting and a proxy form are enclosed with the Annual Report.

The SGX-ST (as defined in this Appendix) takes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Appendix.

If you have sold all your Shares (as defined in this Appendix), you should immediately forward this Appendix, the Annual Report and proxy form to the purchaser or to the bank, stockbroker or agent through whom the sale was effected for onward transmission to the purchaser.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

kingsmen

Kingsmen Creatives Ltd.
(Incorporated in the Republic of Singapore on 16 December 2002)
(Company Registration No. 200210790Z)

APPENDIX TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

Contents

Definitions

For the purpose of this Appendix, the following definitions have, where appropriate, been used:

"2011 AGM"	:	The annual general meeting of the Company to be held on Wednesday, 27 April 2011 at 11.00 a.m. at 3 Changi South Lane, Singapore 486118
"Board"	:	The board of the Directors of the Company for the time being
"CDP"	:	The Central Depository (Pte) Limited
"Company" or " Kingsmen"	:	Kingsmen Creatives Ltd.
"Companies Act"	:	The Companies Act (Chapter 50) of Singapore, as amended or modified from time to time
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15.0% or more of the total number of issued Shares (excluding treasury shares) in the Company. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises control over the Company
"Directors"	:	Directors of the Company for the time being
"EPS"	:	Earnings per Share
"FY"	:	Financial year ended, or as the case may be, ending 31 December
"Group"	:	The Company and its Subsidiaries
"Latest Practicable Date"	:	28 March 2011, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The Listing Manual of the SGX-ST, as amended, varied or supplemented from time to time
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"NA"	:	Net assets
"Securities Account"	:	Securities accounts maintained by a Depositor with CDP but not including securities sub-accounts maintained with a Depository Agent
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

"Shareholders"	:	Persons who are registered as holders of the Shares except where the registered holder is CDP, in which case the term "**Shareholders**" shall in relation to such Shares mean the Depositors whose Securities Accounts with CDP are credited with the Shares
"Shares"	:	Ordinary shares in the capital of the Company
"Share Purchase Mandate"	:	The general mandate granted by the Shareholders on 26 April 2010 to authorise the Directors to purchase Shares in accordance with the terms set forth in the Companies Act and the Listing Manual, the renewal of which is subject to the approval of the Shareholders at the 2011 AGM
"Subsidiaries"	:	The subsidiaries of a company (as defined in Section 5 of the Companies Act) and "Subsidiary" shall be construed accordingly
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers, as varied or supplemented from time to time

Currencies and others

"S$", "$" and "cents"	:	Singapore dollars and cents respectively
"%" or "per cent"	:	Per centum or percentage

The terms "**Depositor**", "**Depository Register**" and "**Depository Agent**" shall have the meanings ascribed to them respectively by Section 130A of the Companies Act. The term "**treasury shares**" shall have the meaning ascribed to it in Section 4 of the Companies Act.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted.

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

Words importing persons include corporations.

Any reference to a time of a day in this Appendix is a reference to Singapore time unless otherwise stated.

KINGSMEN CREATIVES LTD.

(Incorporated in the Republic of Singapore on 15 December 2002)
(Company Registration No. 200210790Z)

Directors:

Benedict Soh Siak Poh (Executive Chairman)
Simon Ong Chin Sim (Group Managing Director)
Anthony Chong Siew Ling (Managing Director, Exhibitions & Museums)
Lee Hock Lye (Independent Director)
Prabhakaran Narayanan Nair (Independent Director)
Wong Ah Long (Independent Director)

Registered Office:

3 Changi South Lane,
Singapore 486118

8 April 2011

To: The Shareholders of Kingsmen Creatives Ltd.

Dear Shareholder,

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1. INTRODUCTION

The Directors of the Company are convening the 2011 AGM to seek, *inter alia*, the Shareholders' approval for the proposed renewal of the Share Purchase Mandate.

At the extraordinary general meeting of the Company held on 28 April 2008, the Shareholders had approved the Share Purchase Mandate to enable the Company to purchase or otherwise acquire the Shares. The Share Purchase Mandate was last renewed at the extraordinary general meeting of the Company held on 26 April 2010 (the "**2010 Mandate**"). The validity period of the 2010 Mandate will expire at the 2011 AGM. Accordingly, the Directors of the Company are seeking approval from the Shareholders for the renewal of the Share Purchase Mandate at the 2011 AGM.

This Appendix is circulated to Shareholders together with the Company's Annual Report. The purpose of this Appendix is to explain the rationale for, and provide Shareholders with information relating to the proposed renewal of the Share Purchase Mandate to be tabled at the 2011 AGM.

The SGX-ST takes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Appendix.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

2.1 Rationale for the Share Purchase Mandate

The rationale for the Company to undertake the purchase or acquisition of its Shares is that the Share Purchase Mandate would give the Company the flexibility to undertake purchases of its Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force. Share purchases provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements, in an expedient and cost-efficient manner. Share purchases will also allow the Directors greater flexibility over the Company's share capital structure with a view to enhancing the NA and/or EPS.

The purchase or acquisition of Shares will only be undertaken if the Directors believe that it can benefit the Company and Shareholders. Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10.0% limit as authorised. No purchase or acquisition of Shares will be made in circumstances, which would have or may have a material adverse effect on the liquidity and capital of the Company and the Group.

2.2 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate, if approved at the 2011 AGM, are summarised below:

2.2.1 Maximum Number of Shares

The Company may purchase only Shares, which are issued and fully paid-up. The total number of Shares that may be purchased is limited to that number of Shares representing not more than 10.0% of the issued Shares as at the date of the 2011 AGM on which the resolution authorising the same is passed (the "**Approval Date**"). Shares which are held as treasury shares, will be disregarded for purposes of computing the 10.0% limit. The Company holds 3,981,600 treasury shares as at the Latest Practicable Date.

For illustrative purposes only, based on 190,201,551 issued Shares (excluding treasury shares) as at the Latest Practicable Date and assuming that no further Shares are issued or repurchased and held as treasury shares or cancelled, on or prior to the 2011 AGM, not more than 19,020,155 Shares (representing ten per cent. (10.0%) of the issued Shares (excluding treasury shares) as at the date of 2011 AGM) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

2.2.2 Duration of Authority

Purchases of Shares may be made, at any time and from time to time, from the Approval Date up to the earliest of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which Share purchases have been carried out to the full extent of the Share Purchase Mandate; or

(iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked by an ordinary resolution of Shareholders in general meeting.

2.2.3 Manner of Purchase

Purchases of Shares may be made on the SGX-ST ("**Market Purchases**") and/or otherwise than on the SGX-ST, in accordance with an equal access scheme ("**Off-Market Purchases**") as defined in Section 76C of the Companies Act.

Market Purchases refer to purchases of Shares by the Company effected on the SGX-ST through the Central Limit Order Book (CLOB) trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are not inconsistent with the Share Purchase Mandate and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

(i) offers for the purchase or acquisition of issued shares shall be made to every person who holds issued shares to purchase or acquire the same percentage of their issued shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers are the same, except that there shall be disregarded:

(a) differences in consideration attributable to the fact that offers may relate to shares with different accrued dividend entitlements;

(b) (if applicable) differences in consideration attributable to the fact that offers relate to shares with different amounts remaining unpaid; and

(c) differences in the offers introduced solely to ensure that each person is left with a whole number of shares.

In addition, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders, which must contain at least the following information:

(i) the terms and conditions of the offer;

(ii) the period and procedures for acceptances;

(iii) the reasons for the proposed share purchase;

(iv) the consequences, if any, of share purchases by the Company that will arise under the Take-over Code or other applicable take-over rules;

(v) whether the share purchase, if made, would have any effect on the listing of the Shares on the SGX-ST; and

(vi) details of any share purchases made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases.

2.2.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commissions, applicable goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors.

However, the purchase price must not exceed:

(i) in the case of a Market Purchase, 105.0% of the Average Closing Price (as defined below); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120.0% of the Highest Last Dealt Price (as defined below),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**Day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.3 Status of Purchased Shares

Any Share which is purchased by the Company is deemed cancelled immediately on purchase (and all rights and privileges attached to that Share will expire on cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. According to the key provisions on treasury shares under the Companies Act:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10.0% of the total number of issued Shares.

(b) Voting and other Rights

The Company will not have the right to attend or vote at meetings and/or to receive any dividends in respect of treasury shares. However, the allotment of treasury shares as fully paid bonus shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

The Company may dispose of treasury shares at any time in the following ways:

(i) selling the treasury shares for cash;

(ii) transferring the treasury shares for the purposes of or pursuant to an employees' share scheme;

(iii) transferring the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancelling the treasury shares; or

(v) selling, transferring or otherwise using the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

2.4 Source of Funds and Financial Effects

The Companies Act permits the Company to purchase its Shares out of capital, as well as its distributable profits, provided that:

(a) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business in the twelve (12) months immediately following the purchase; and

(b) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

The Company will use internal sources of funds, or a combination of internal resources and external borrowings, to finance purchases of its Shares.

It is not possible for the Company to realistically calculate or quantify the impact of purchases that may be made pursuant to the Share Purchase Mandate on the NA value and EPS as the resultant effect would depend on factors such as the aggregate numbers of Shares purchased, the purchase prices paid at the relevant times, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition, how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act, and the amounts (if any) borrowed by the Company to fund the purchases.

Where the purchase of Shares is made out of distributable profits, such purchase (including costs incidental to the purchase) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the purchase of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Group and the Company, and a decline in the current ratios and shareholders' funds of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

For illustrative purposes only and on the basis of the following assumptions:

(a) that the purchase or acquisition by the Company of the maximum of 19,020,155 Shares (representing ten per cent. (10.0%) of the issued Shares (excluding treasury shares) as at the Latest Practicable Date, was made on 1 January 2010;

(b) that, in the case of Market Purchases, the Company purchased or acquired Shares at the Maximum Price of S$0.5733 for each Share (being 105.0% of the Average Closing Price as at the Latest Practicable Date), and, in the case of Off-Market Purchases, the Company purchased or acquired Shares at the Maximum Price of S$0.6600 for each Share (being 120.0% of the Highest Last Dealt Price as at the Latest Practicable Date);

(c) that the purchase or acquisition of Shares by the Company, which required funds amounting to, in the case of Market Purchases, S$10,904,255, and in the case of Off-Market Purchases, S$12,553,302, was financed entirely using its internal sources of funds, and the Company received dividends from its subsidiaries to finance the acquisition;

(d) that the Singapore corporate tax rate applied was 17.0%; and

(e) that the cash reserves applied by the Group to pay for the purchase or acquisition of Shares, would otherwise have earned negligible return,

the financial effects of Share purchases by the Company pursuant to the Share Purchase Mandate on the unaudited consolidated financial statements of the Group for FY2010, are set out below:

Market Purchases

Scenario 1

Purchase or acquisition of 19,020,155 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of capital, and the maximum number of Shares permitted under the Companies Act to be held in treasury are held in treasury and the balance are cancelled

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2010				
Share capital	23,266	20,741	23,266	20,741
Revenue reserves (distributable)	39,291	39,291	5,154	16,058
Other reserves	(3,932)	(3,932)	173	173
Treasury shares	(1,569)	(9,948)	(1,569)	(9,948)
Shareholders' funds	57,056	46,152	27,024	27,024
NA[1]	57,056	46,152	27,024	27,024
Current assets	120,446	109,542	5,735	5,735
Current liabilities	82,937	82,937	5,438	5,438
Working capital	37,509	26,605	297	297
Total liabilities	86,175	86,175	5,468	5,468
Cash and cash equivalents	29,705	18,801	1,782	1,782
Number of Shares, excluding treasury shares ('000)	190,112	171,092	190,112	171,092
Weighted Average Number of Shares ('000)	189,872	170,852	189,872	170,852
Financial Ratios				
NA per Share[1] (cents)	30.01	26.97	14.21	15.79
Earning per Share[2] (cents)	7.93	8.82	4.47	11.35
Gearing ratio[3] (times)	1.51	1.87	0.20	0.20
Current ratio[4] (times)	1.45	1.32	1.05	1.05

Notes:

(1) NA per Share equals shareholders' funds divided by the total number of Shares, excluding treasury shares

(2) Earnings per share equals net profit attributable to equity holders divided by the weighted average number of Shares

(3) Gearing ratio equals total liabilities divided by shareholders' funds

(4) Current ratio equals current assets divided by current liabilities

Scenario 2

Purchase or acquisition of 19,020,155 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of capital and cancelled

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2010				
Share capital	23,266	12,362	23,266	12,362
Revenue reserves (distributable)	39,291	39,291	5,154	16,058
Other reserves	(3,932)	(3,932)	173	173
Treasury shares	(1,569)	(1,569)	(1,569)	(1,569)
Shareholders' funds	57,056	46,152	27,024	27,024
NA[1]	57,056	46,152	27,024	27,024
Current assets	120,446	109,542	5,735	5,735
Current liabilities	82,937	82,937	5,438	5,438
Working capital	37,509	26,605	297	297
Total liabilities	86,175	86,175	5,468	5,468
Cash and cash equivalents	29,705	18,801	1,782	1,782
Number of Shares, excluding treasury shares ('000)	190,112	171,092	190,112	171,092
Weighted Average Number of Shares ('000)	189,872	170,852	189,872	170,852
Financial Ratios				
NA per Share[1] (cents)	30.01	26.97	14.21	15.79
Earning per Share[2] (cents)	7.93	8.82	4.47	11.35
Gearing ratio[3] (times)	1.51	1.87	0.20	0.20
Current ratio[4] (times)	1.45	1.32	1.05	1.05

Notes:

(1) NA per Share equals shareholders' funds divided by the total number of Shares, excluding treasury shares

(2) Earnings per share equals net profit attributable to equity holders divided by the weighted average number of Shares

(3) Gearing ratio equals total liabilities divided by shareholders' funds

(4) Current ratio equals current assets divided by current liabilities

Scenario 3

Purchase or acquisition of 19,020,155 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of profits, and the maximum number of Shares permitted under the Companies Act to be held in treasury are held in treasury and the balance are cancelled

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2010				
Share capital	23,266	23,266	23,266	23,266
Revenue reserves (distributable)	39,291	36,766	5,154	13,533
Other reserves	(3,932)	(3,932)	173	173
Treasury shares	(1,569)	(9,948)	(1,569)	(9,948)
Shareholders' funds	57,056	46,152	27,024	27,024
NA[1]	57,056	46,152	27,024	27,024
Current assets	120,446	109,542	5,735	5,735
Current liabilities	82,937	82,937	5,438	5,438
Working capital	37,509	26,605	297	297
Total liabilities	86,175	86,175	5,468	5,468
Cash and cash equivalents	29,705	18,801	1,782	1,782
Number of Shares, excluding treasury shares ('000)	190,112	171,092	190,112	171,092
Weighted Average Number of Shares ('000)	189,872	170,852	189,872	170,852
Financial Ratios				
NA per Share[1] (cents)	30.01	26.97	14.21	15.79
Earning per Share[2] (cents)	7.93	8.82	4.47	11.35
Gearing ratio[3] (times)	1.51	1.87	0.20	0.20
Current ratio[4] (times)	1.45	1.32	1.05	1.05

Notes:

(1) NA per Share equals shareholders' funds divided by the total number of Shares, excluding treasury shares

(2) Earnings per share equals net profit attributable to equity holders divided by the weighted average number of Shares

(3) Gearing ratio equals total liabilities divided by shareholders' funds

(4) Current ratio equals current assets divided by current liabilities

Off-Market Purchases

Scenario 1

Purchase or acquisition of 19,020,155 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of capital, and the maximum number of Shares permitted under the Companies Act to be held in treasury are held in treasury and the balance are cancelled

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2010				
Share capital	23,266	20,360	23,266	20,360
Revenue reserves (distributable)	39,291	39,291	5,154	17,707
Other reserves	(3,932)	(3,932)	173	173
Treasury shares	(1,569)	(11,216)	(1,569)	(11,216)
Shareholders' funds	57,056	44,503	27,024	27,024
NA[1]	57,056	44,503	27,024	27,024
Current assets	120,446	107,893	5,735	5,735
Current liabilities	82,937	82,937	5,438	5,438
Working capital	37,509	24,956	297	297
Total liabilities	86,175	86,175	5,468	5,468
Cash and cash equivalents	29,705	17,152	1,782	1,782
Number of Shares, excluding treasury shares ('000)	190,112	171,092	190,112	171,092
Weighted Average Number of Shares ('000)	189,872	170,852	189,872	170,852
Financial Ratios				
NA per Share[1] (cents)	30.01	26.01	14.21	15.79
Earning per Share[2] (cents)	7.93	8.82	4.47	12.31
Gearing ratio[3] (times)	1.51	1.94	0.20	0.20
Current ratio[4] (times)	1.45	1.30	1.05	1.05

Notes:

(1) NA per Share equals shareholders' funds divided by the total number of Shares, excluding treasury shares

(2) Earnings per share equals net profit attributable to equity holders divided by the weighted average number of Shares

(3) Gearing ratio equals total liabilities divided by shareholders' funds

(4) Current ratio equals current assets divided by current liabilities

Scenario 2

Purchase or acquisition of 19,020,155 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of capital and cancelled

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2010				
Share capital	23,266	10,713	23,266	10,713
Revenue reserves (distributable)	39,291	39,291	5,154	17,707
Other reserves	(3,932)	(3,932)	173	173
Treasury shares	(1,569)	(1,569)	(1,569)	(1,569)
Shareholders' funds	57,056	44,503	27,024	27,024
NA[1]	57,056	44,503	27,024	27,024
Current assets	120,446	107,893	5,735	5,735
Current liabilities	82,937	82,937	5,438	5,438
Working capital	37,509	24,956	297	297
Total liabilities	86,175	86,175	5,468	5,468
Cash and cash equivalents	29,705	17,152	1,782	1,782
Number of Shares, excluding treasury shares ('000)	190,112	171,092	190,112	171,092
Weighted Average Number of Shares ('000)	189,872	170,852	189,872	170,852
Financial Ratios				
NA per Share[1] (cents)	30.01	26.01	14.21	15.79
Earning per Share[2] (cents)	7.93	8.82	4.47	12.31
Gearing ratio[3] (times)	1.51	1.94	0.20	0.20
Current ratio[4] (times)	1.45	1.30	1.05	1.05

Notes:

(1) NA per Share equals shareholders' funds divided by the total number of Shares, excluding treasury shares

(2) Earnings per share equals net profit attributable to equity holders divided by the weighted average number of Shares

(3) Gearing ratio equals total liabilities divided by shareholders' funds

(4) Current ratio equals current assets divided by current liabilities

Scenario 3

Purchase or acquisition of 19,020,155 Shares by the Company pursuant to the Share Purchase Mandate made entirely out of profits, and the maximum number of Shares permitted under the Companies Act to be held in treasury are held in treasury and the balance are cancelled

	Group		Company	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	S$'000	S$'000	S$'000	S$'000
As at 31 December 2010				
Share capital	23,266	23,266	23,266	23,266
Revenue reserves (distributable)	39,291	36,385	5,154	14,801
Other reserves	(3,932)	(3,932)	173	173
Treasury shares	(1,569)	(11,216)	(1,569)	(11,216)
Shareholders' funds	57,056	44,503	27,024	27,024
NA[1]	57,056	44,503	27,024	27,024
Current assets	120,446	107,893	5,735	5,735
Current liabilities	82,937	82,937	5,438	5,438
Working capital	37,509	24,956	297	297
Total liabilities	86,175	86,175	5,468	5,468
Cash and cash equivalents	29,705	17,152	1,782	1,782
Number of Shares, excluding treasury shares ('000)	190,112	171,092	190,112	171,092
Weighted Average Number of Shares ('000)	189,872	170,852	189,872	170,852
Financial Ratios				
NA per Share[1] (cents)	30.01	26.01	14.21	15.79
Earning per Share[2] (cents)	7.93	8.82	4.47	12.31
Gearing ratio[3] (times)	1.51	1.94	0.20	0.20
Current ratio[4] (times)	1.45	1.30	1.05	1.05

Notes:

(1) NA per Share equals shareholders' funds divided by the total number of Shares, excluding treasury shares

(2) Earnings per share equals net profit attributable to equity holders divided by the weighted average number of Shares

(3) Gearing ratio equals total liabilities divided by shareholders' funds

(4) Current ratio equals current assets divided by current liabilities

Shareholders should note that the financial effects set out in this Paragraph 2.4 are purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on historical FY2010 numbers and are in no way indicative of the Company's real financial position or a forecast of the Company's financial figures.

The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

2.5 Listing Rules

Under the listing rules of the SGX-ST, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than 5.0% above the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made and deemed to be adjusted for any corporate action that occurs after the relevant five-day period. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in Paragraph 2.2.4 above, conforms to this restriction.

The listing rules of the SGX-ST specify that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement must include details of the date of the purchases of the shares, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares (as applicable), the total consideration (including stamp duties and clearing charges) paid or payable for the shares, and the cumulative number of shares purchased. Such announcement will be made in the form prescribed by the Listing Manual.

While the listing rules of the SGX-ST do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Listing Manual on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of two (2) weeks immediately preceding the announcement of the Company's quarterly results or one (1) month immediately preceding the announcement of the Company's full-year results, as the case may be, and ending on the date of announcement of the relevant results.

2.6 Listing Status on the SGX-ST

The Company is required under Rule 723 of the SGX-ST Listing Manual to ensure that at least 10.0% of its issued Shares are in the hands of the public (excluding treasury shares). The "public", as defined in the Listing Manual, are persons other than the Directors, Chief Executive Officer (or, in the case of the Company, the Managing Director), substantial shareholders and controlling shareholders of the Company and its subsidiaries, as well as the Associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, there are approximately 74,158,173 issued Shares in the hands of the public (as defined above), representing 39.0% of the total number of issued Shares of the Company (excluding treasury shares). Assuming that the Company purchases its Shares through Market Purchases up to the full 10.0% limit pursuant to the Share Purchase Mandate, the number of issued Shares in the hands of the public would be reduced to 55,138,018 Shares, representing 32.2% of the total number of issued Shares of the Company (excluding treasury shares). As at the Latest Practicable Date, the Company holds 3,981,600 treasury shares.

In view of the foregoing, the Company is of the view that there is, at present, a sufficient number of Shares in public hands that would permit the Company to potentially undertake purchases of its Shares through Market Purchases up to the full 10.0% limit pursuant to the Share Purchase Mandate without:

(a) affecting adversely the listing status of the Shares on the SGX-ST;

(b) causing market illiquidity; or

(c) affecting adversely the orderly trading of Shares.

2.7 Tax Implications

Where the Company uses its Distributable Profits for Share Purchases

Under Section 10J of the Income Tax Act, Chapter 134 (the "**Income Tax Act**"), a company which purchases its own shares using its distributable profits is deemed to have paid a dividend to the shareholders from whom the shares are acquired.

As the Company has already moved into the one-tier corporate tax system, the provisions under Section 44 of the Income Tax Act do not apply to the Company. That is, the Company does not need to provide for the franking of dividends for any Share purchase made.

The tax treatment of the receipt from a Share purchase in the hands of the Shareholders will depend on whether the disposal arises from a Market Purchase or an Off-Market Purchase. Proceeds received by Shareholders who sell their Shares to the Company in Market Purchases will be treated for income tax purposes like any other disposal of shares made on SGX-ST and not as dividends. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature. Proceeds received by Shareholders who sell their Shares to the Company in an Off-Market Purchase effected by way of an equal access scheme will be treated for income tax purposes as receipts of dividends.

Where the Company uses its Contributed Capital for the Share Purchase

Under Section 10J of the Income Tax Act, a company which purchases its own shares using its contributed capital is not deemed to have paid a dividend to its shareholders from whom the shares are acquired.

Proceeds received by Shareholders who sell their Shares to the Company for which the purchases were made out of contributed capital will be treated for income tax purposes like any other disposal of shares made on SGX-ST and not as dividends. Whether or not such proceeds are taxable in the hands of such Shareholders will depend on whether such proceeds are receipts of an income or capital nature.

Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.8 Obligations to Make a Take-over Offer

If as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of the Take-over Code. If such increase results in a change in control, or as a result of such increase a Shareholder or group of Shareholders acting in concert obtain or consolidate control, it may in certain circumstances give rise to an obligation on the part of such Shareholder or Shareholders to make a take-over offer under Rule 14 of the Take-over Code.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase of Shares by the Company are set out in Appendix 2 ("**TOC Appendix 2**") of the Take-over Code.

In relation to Directors and persons acting in concert with them, Rule 14 provides that unless exempted (or if exempted, such exemption is subsequently revoked), Directors and persons acting in concert with them will incur an obligation to make a take-over offer if, as a result of a purchase of Shares by the Company:

(a) the percentage of voting rights held by such Directors and their concert parties in the Company increases to 30.0% or more; or

(b) if they together hold between 30.0% and 50.0% of the Company's voting rights, their voting rights increase by more than 1.0% in any period of six (6) months.

Under TOC Appendix 2, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing its Shares, the voting rights of such Shareholder would increase to 30.0% or more, or, if such Shareholder holds between 30.0% and 50.0% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1.0% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate control of that company. Unless the contrary is established, the following persons, *inter alia,* will be presumed to be acting in concert: (i) a company with any of its directors; and (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other. For this purpose, ownership or control of 20.0% or more of the equity share capital of a company will be regarded as the test of associated company status.

The interests of the respective substantial Shareholders of the Company, and where applicable, their relationship with respect to each other, are set out in Paragraph 3 below.

The Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity.

2.9 Reporting Requirements

Within 30 days of the passing of the approval of the proposed Share Purchase Mandate, the Directors shall lodge a copy of the relevant Shareholders' resolution with the Registrar of Companies (the "**Registrar**").

The Directors shall lodge with the Registrar a notice of share purchase within 30 days of a share purchase. Such notification shall include the date of the purchases, the number of Shares purchased by the Company, the number of Shares cancelled, the number of treasury shares held, the Company's issued share capital before and after the purchases, the amount of consideration paid by the Company for the purchases, whether the shares were purchased out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.

Within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form.

2.10 Share Purchases in the Previous 12 Months

No purchases of Shares have been made by the Company in the 12 months preceding the Latest Practicable Date.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

As at the Latest Practicable Date, the interests of the Directors in the Shares, as extracted from the Register of Directors' shareholdings, and the interests of the substantial Shareholders in the Shares (being a Shareholder whose interests in the Company's issued share capital is equal to or more than 5 per cent. (5.0%)), as extracted from the Register of Substantial Shareholders, are as follows:-

	Number of Shares			
Name	**Direct Interest**	**%**	**Deemed Interest**	**%**
Directors				
Benedict Soh Siak Poh	7,734,439	4.07	37,993,060[(1)]	19.98
Simon Ong Chin Sim	7,734,420	4.07	37,993,060[(2)]	19.98
Anthony Chong Siew Ling	3,634,761	1.91	-	-
Wong Ah Long	-	-	36,000[(3)]	0.02
Prabhakaran Narayanan Nair	150,000	0.08	-	-
Lee Hock Lye	-	-	-	-
Substantial Shareholders				
Islanda Pte Ltd	37,993,060	19.98	-	-
O-Vest Pte Ltd	37,993,060	19.98	-	-
Png Geok Choo Rose	-	-	37,993,060[(4)]	19.98
Soh E-Ling Marianne	-	-	37,993,060[(5)]	19.98
Soh Hsien Wern Gavin	-	-	37,993,060[(6)]	19.98
Jillian Soh E-Ping	-	-	37,993,060[(7)]	19.98
Vera Ong Lim Guek Noi	-	-	37,993,060[(8)]	19.98
Ong Mei Lin Elita	-	-	37,993,060[(9)]	19.98

Notes:

(1) Mr Benedict Soh Siak Poh's deemed interest refers to the 37,993,060 Shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act.

(2) Mr Simon Ong Chin Sim's deemed interest refers to the 37,993,060 Shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act.

(3) Mr Wong Ah Long's deemed interest refers to the 36,000 Shares held by his spouse.

(4) Mdm Png Geok Choo's deemed interest refers to the 37,993,060 Shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act.

(5) Ms Soh E-Ling Marianne's deemed interest refers to the 37,993,060 Shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act.

(6) Mr Soh Hsien Wern Gavin's deemed interest refers to the 37,993,060 Shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act.

(7) Ms Jillian Soh E-Ping's deemed interest refers to the 37,993,060 Shares held by Islanda Pte Ltd by virtue of Section 7 of the Companies Act.

(8) Mdm Vera Ong Lim Guek Noi's deemed interest refers to the 37,993,060 Shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act.

(9) Ms Ong Mei Lin Elita's deemed interest refers to the 37,993,060 Shares held by O-Vest Pte Ltd by virtue of Section 7 of the Companies Act.

4. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the 2011 AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the Proxy Form attached to the Notice of the Annual General Meeting in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the registered office of Company at 3 Changi South Lane, Singapore 486118, not later than 48 hours before the time fixed for the 2011 AGM. The appointment of a proxy by a Shareholder does not preclude him from attending and voting in person at the 2011 AGM if he so wishes in place of the proxy if he finds that he is able to do so.

A Depositor shall not be regarded as a member of the Company entitled to attend the 2011 AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Division 7A of Part IV of the Companies Act at least 48 hours before the 2011 AGM.

5. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 11 relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2011 AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company (including those who have delegated detailed supervision of this Appendix) collectively and individually accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Appendix are fair and accurate in all material respects and that there are no material facts the omission of which would make any statement in this Appendix misleading in any material respect. Where information has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information have been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Appendix.

7. DOCUMENTS FOR INSPECTION

A copy of the following documents may be inspected at the registered office of the Company at 3 Changi South Lane, Singapore 486118, during normal business hours from the date of this Appendix up to and including the date of the 2011 AGM:

(a) the Annual Report of the Company for the financial period ended 31 December 2010; and

(b) the memorandum and articles of association of the Company.

Yours faithfully
For and on behalf of the Board of Directors of
Kingsmen Creatives Ltd.

Benedict Soh Siak Poh
Executive Chairman

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KINGSMEN CREATIVES LTD.

Company Registration Number 200210790Z
(Incorporated in Singapore)

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 CPF investors and shall be ineffective for all intent and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

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)

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting ("**Meeting**") of the Company to be held on Wednesday, 27 April 2011, at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Audited Accounts for the year ended 31 December 2010		
2.	Approval of payment of the final one-tier tax exempt dividend and the special one-tier tax exempt dividend		
3.	Re-election of Mr Benedict Soh Siak Poh as a Director		
4.	Re-election of Mr Phabhakaran Narayanan Nair as a Director		
5.	Approval of Directors' fees amounting to S$230,000 for the year ended 31 December 2010		
6.	Re-appointment of Ernst & Young LLP as Auditors		
7.	Authority to allot and issue shares in the capital of the Company - Share Issue Mandate		
8.	Authority to allot and issue shares under the Kingsmen Share Option Scheme		
9.	Authority to allot and issue shares under the Kingsmen Performance Share Scheme		
10.	Grant of Share Awards to Roy Ong Chin Kwan under the Kingsmen Performance Share Scheme		
11.	Renewal of the Share Purchase Mandate		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this _____ day of _____

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

_____

Signatures of Shareholder(s)
or, Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. A member of the Company 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 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 from will be deemed to relate to all the shares held by you.
5. This proxy form must be deposited at the Company's registered office at 3 Changi South Lane, Singapore 486118 not less than 48 hours before the time set for the Meeting.
6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

General:

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

First Fold

Second Fold

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Stamp

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

kingsmen

A communication design & production group

Kingsmen Creatives Ltd
Co. Reg. No. 200210790Z

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