

## **KINGSMEN CREATIVES LTD.**

(Incorporated in the Republic of Singapore with Registration Number 200210790Z)

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### **PROPOSED ACQUISITION OF SHARES IN KINGSMEN FAIRTECH INTERNATIONAL PVT. LTD., KINGSMEN MIDDLE EAST (LLC) AND KINGSMEN (NORTH ASIA) LIMITED (the "Kingsmen Affiliates")**

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#### **1. Introduction**

The Board of Directors of Kingsmen Creatives Ltd. (the "Company") wishes to announce that the Company has entered into a conditional share acquisition agreement (the "Share Acquisition Agreement") with Kingsmen International Pte Ltd (the "Vendor") on 9 July 2007, pursuant to which the Company will acquire:-

- (a) 19.5% of the entire existing issued and paid-up capital of Kingsmen Fairtech International Pvt. Ltd. ("Kingsmen India");
- (b) 25.0% of the entire existing issued and paid-up capital of Kingsmen Middle East (LLC) ("Kingsmen Middle East"); and
- (c) 50.5% of the entire existing issued and paid-up capital of Kingsmen (North Asia) Limited ("Kingsmen North Asia").

(collectively the "Sale Shares")(the "Proposed Acquisition").

Each of the Kingsmen Affiliates engage in similar business as the Company and its subsidiaries (the "Group"), that is:

- (i) the design, production and implementation of design works for trade shows, promotional events and festivities in the form of temporary installations and displays;
- (ii) the design, production and implementation of design works to produce interiors which reflect the corporate or brand image of the clients as well as their design functionality;
- (iii) the design, production and implementation of interiors and displays for museums and visitor centers; and
- (iv) the provision of marketing and promotional services such as product launches, and press and public events.

#### **2. Consideration**

The purchase consideration of S\$8.023 million for the Sale Shares was determined following negotiations on a willing-buyer, willing-seller basis, after taking into account the valuation report dated 9 July 2007 (the "Valuation Report") by NMG Financial Services Consulting, an independent valuer, who appraised the value of the Kingsmen Affiliates at S\$8.023 million.

In arriving at the valuation, NMG Financial Services Consulting took into account the following:

- (a) a corporate services agreement to be entered into between the Company and Kingsmen Middle East (the "Corporate Services Agreement"), pursuant to which the Company will be able to charge up to 70% of the net profits of Kingsmen Middle East by way of corporate management fees in consideration of the Company providing corporate services to Kingsmen Middle East; and
- (b) the provisions of a shareholders agreement dated 2 February 2007 entered into between Kingsmen Taiwan (International) Co., Ltd. (a subsidiary of Kingsmen North Asia) and certain individuals, pursuant to which and subject to negotiations, it is intended that Kingsmen North Asia will hold 40.0% in the capital of Kingsmen Taiwan (International) Co., Ltd.

The purchase consideration shall be settled by the Company through a cheque, cashier's order or bank draft within seven business days after completion of the Proposed Acquisition has taken place.

### **3. Conditions Precedent**

Completion is conditional upon, *inter alia*:-

- (a) the Company's receipt of satisfactory results in relation to its due diligence investigations on the legal, financial and other matters of the Kingsmen Affiliates;
- (b) the approval of shareholders in a general meeting of the Company to be convened for the Proposed Acquisition;
- (c) the Company's receipt of the Kingsmen Affiliates' audited or final (as applicable) accounts and management accounts comprising balance sheets and profit and loss statements;
- (d) the Company and Kingsmen Middle East entering into the Corporate Services Agreement; and
- (e) all necessary regulatory approvals being obtained and all necessary reports to the competent authorities being made (as applicable) by the Vendor, the Kingsmen Affiliates and the Company for the purchase of the Sale Shares pursuant to the terms of the Share Acquisition Agreement and all transactions contemplated thereunder. Should any of these regulatory approvals be given subject to certain conditions, the Vendor, the Kingsmen Affiliates and the Company shall comply with such conditions so long as they can reasonably be fulfilled by the relevant party within a reasonable time.

### **4. Financial Effects of the Proposed Acquisition**

The financial effects of the Proposed Acquisition are for illustration purposes only and do not reflect the future actual financial position of the Company after the completion of the Proposed Acquisition. The financial effects of the Proposed Acquisition has been prepared using the audited financial statements of the Company, Kingsmen North Asia and Kingsmen Middle East for the financial year ended 31 December 2006 and of Kingsmen India for the financial year ended 31 March 2007, and are based on the following assumptions:-

- (a) For the purpose of computing the earnings and earnings per share of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition and the placement of the 20,000,000 new shares to fund the Proposed Acquisition, which took place in April 2007 were effected on 1 January 2006.

- (b) For the purpose of computing the NTA of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition and the placement of the 20,000,000 new shares to fund the Proposed Acquisition, which took place in April 2007 were effected on 31 December 2006.

Earnings per share ("EPS")

	<b>Before Proposed Acquisition</b>	<b>After Proposed Acquisition</b>
<b><u>FY2006</u></b>		
<b>- Net profit attributable to shareholders (S\$'000)</b>	4,937	5,942
<b>- EPS (cents)</b>	4.88	4.91

EPS is calculated by dividing the net profit for the year of S\$4,937,000 attributable to ordinary shareholders by the weighted average number of ordinary shares of 101,093,690 in issue during FY2006.

Weighted average number of shares after Proposed Acquisition is 121,093,690 after taking into account the placement of the 20,000,000 new shares to fund the Proposed Acquisition, which took place in April 2007.

Net profit attributable to shareholders increased after the Proposed Acquisition due to consolidation of the Group's proportionate share of the Kingsmen Affiliates' net profit attributable to shareholders.

Net Tangible Assets ("NTA")

	<b>Before Proposed Acquisition</b>	<b>After Proposed Acquisition</b>
<b><u>As at 31 December 2006</u></b>		
<b>- NTA (S\$'000)</b>	15,861	17,066
<b>- Number of shares ('000)</b>	101,094	121,094
<b>- NTA per share (cents)</b>	15.69	14.09

The increase in NTA of the Group after the Proposed Acquisition is due to net proceeds of approximately S\$8.4 million from the placement of the 20,000,000 new shares to fund the Proposed Acquisition, which took place in April 2007, offset by the payment of S\$8.023 million by way of cash as purchase consideration for the acquisition of the Sale Shares. The Group's proportionate share of the NTA of the Kingsmen Affiliates included in the Group NTA after the Proposed Acquisition amounted to approximately S\$838,000 as at 31 December 2006.

## **5. The Proposed Acquisition as a Major Transaction**

Chapter 10 of the Listing Manual governs the continuing listing obligations of a listed company in respect of acquisitions and realisations. Under Rule 1014, shareholders' approval must be sought for "major transactions". Rule 1006 sets out the computation for relative figures. Shareholders' approval is required if any of the relative figures computed on the bases set out in Rule 1006 exceeds twenty per cent (20%) as such a transaction is classified as a "major acquisition". The relative bases computed on the bases set out in Rule 1006 are as follows :-

<b>Bases</b>		
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	20.0%
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation.	7.0%
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable

The Proposed Acquisition is therefore a "major transaction" on the basis of (b) above and is therefore subject to shareholders' approval.

## **6. Funding for the Proposed Acquisition**

The Proposed Acquisition will be funded by the proceeds from the placement of 20,000,000 new ordinary shares in the share capital of the Company, the exercise of which took place in April 2007.

## **7. Interests of Directors and Substantial Shareholders**

Mr Soh Siak Poh Benedict, the Executive Chairman and Mr Ong Chin Sim Simon, the Group Managing Director, are the directors and shareholders of the entire issued and paid-up capital of the Vendor, each holding 50% of the equity interest. As such, the Proposed Acquisition is an interested person transaction under Chapter 9 of the Listing Manual.

## **8. Inspection of Documents**

Copies of the Share Acquisition Agreement and the Valuation Report are available for inspection during normal business hours at the registered office of the Company at 3 Changi South Lane Singapore 486118 for three months from the date of this Announcement.

The Company will be despatching a circular to its shareholders to seek approval for the transactions contemplated under the Share Acquisition Agreement.

By Order of the Board  
Soh Siak Poh Benedict  
Executive Chairman

9 July 2007