

RESPONSE TO SGX'S QUERY ON FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2005 ("FULL YEAR RESULTS")

With regard to the query raised by the Singapore Exchange Securities Trading Limited in its email dated 1 March 2006 in relation to the Company's Full Year Results, the Board of Directors of the Company wishes to respond as follows:

Query: We note in paragraph 17 that the aggregate value of all interested person transactions during the financial year under review (excluding transaction less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) amounted to S\$1.19 million, representing 9.8% of the audited NTA as at 31 December 2004. Please disclose the nature of the transactions.

Listing Rule 906 states that (1) An issuer must obtain shareholder approval for any interested person transaction of a value equal to, or more than:- (a) 5% of the group's latest audited net tangible assets; or (b) 5% of the group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by shareholders, or is the subject of aggregation with another transaction that has been approved by shareholders, need not be included in any subsequent aggregation. (2) Rule 906(1) does not apply to any transaction below \$100,000.

Noting that this aggregate value exceeds 5% of the audited NTA as at 31 December 2004, to advise whether and how the Company had complied with the provisions of Chapter 9 of the Listing Manual, in particular Listing Rule 906.

- 1(a) The amount of S\$1.19 million (being the aggregate value of all interested person transaction entered into with Kingsmen International Pte Ltd ("KI") for FY2005) relates to the total rent paid by the Company to KI in FY2005, in respect of the lease of Kingsmen Creatives Building ("KCB"). On 1 January 2005, the Company had entered into a lease agreement (the "Agreement") with KI for KCB. Mr Benedict Soh Siak Poh and Mr Simon Ong Chin Sim, the Controlling Shareholders and Executive Directors of the Company, are directors and shareholders of the entire issued and paid-up share capital of KI, each holding 50% of the equity interest.
- (b) Prior to the entry into the Agreement, the Board of Directors (including the independent directors) had considered and approved the terms of the Agreement, after taking appropriate steps to ensure that the rent was commensurate with the prevailing market rate including considering the independent valuation performed by the property valuer, Premas International Limited. The Board also noted and approved the transaction as a related party transaction. The lease under the Agreement was for a term of 2 years.
- 2(a) Rule 916(1) states that Rule 906 is not required to be complied with in respect of the entering into, or renewal of a lease or tenancy of real property of not more than 3 years, if the terms are supported by independent valuation. As the lease under the Agreement was for a term of 2 years, we are of the view that the Company falls within the Rule 916(1) exception and that the Company is not required to comply with Rule 906 in the present case.
- (b) In retrospect, the Company is cognizant that it should have made an SGXNet announcement at the point of entry into the Agreement, as required under Rule 905. As a mitigating factor, the Company wishes to state that the Agreement was in fact subsequently disclosed in the Company's Annual Report 2004 (page 64, note 28).