

## **PROPOSED ACQUISITION OF SHARES IN KINGSMEN (NORTH ASIA) LIMITED (“KINGSMEN NORTH ASIA”)**

### **1. Introduction**

The Board of Directors of Kingsmen Creatives Ltd. (the “Company”) wishes to announce that the Company has entered into a share acquisition agreement (the “Share Acquisition Agreement”) with Partners Exhibit International (HK) Limited (the “Vendor”) on 16 October 2007, pursuant to which the Company will acquire a further 30% of the existing issued and paid-up capital of Kingsmen North Asia (the “Proposed Acquisition”). Prior to its entry into the Share Acquisition Agreement, the Company already held 50.5% of the existing issued and paid-up share capital of Kingsmen (North Asia) Limited (“Kingsmen North Asia”).

Kingsmen North Asia engages 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\$3.044 million for the sale shares (the “Purchase Consideration”) 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 Kingsmen North Asia at S\$10.147 million.

In arriving at the valuation, NMG Financial Services Consulting took into account, amongst other things, the provisions of a shareholders agreement 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.

50% of the Purchase Consideration will be satisfied in cash and 50% of the Purchase Consideration will be satisfied by the allotment and issue of 2,495,082 ordinary shares in the Company (the “Consideration Shares”) at an issue price of \$0.61 per Consideration Share (the “Issue Price”).

### **3. General Share Issue Mandate**

As the Consideration Shares will not be issued on a *pro rata* basis to existing shareholders of the Company and do not exceed 20% of the maximum potential share capital of the Company as at 23 April 2007 (being the date of the Company’s last annual general meeting at which the shareholders of the Company had approved the general share issue mandate), the specific approval of shareholders is not required for the issue of the Consideration Shares.

The issue price represents the weighted average price for trades done for the full market day on 16 October 2007 (which was the day on which the Share Acquisition Agreement was signed).

#### **4. Conditions Precedent**

Completion is conditional upon, *inter alia*:-

- (a) the Company's receipt of Kingsmen North Asia' audited and management accounts comprising balance sheets and profit and loss statements; and
- (b) all necessary regulatory approvals being obtained and all necessary reports to the competent authorities being made (as applicable) by the Vendor, Kingsmen North Asia 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, Kingsmen North Asia and the Company shall comply with such conditions so long as they can reasonably be fulfilled by the relevant party within a reasonable time.

#### **5. 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 and Kingsmen North Asia for the financial year ended 31 December 2006 ("FY2006"), and are based on the following assumptions:-

- (a)
  - i) 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 was effected on 1 January 2006.
  - ii) 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 together with the placement of the 20,000,000 new shares which took place in April 2007 and the acquisition of certain Kingsmen affiliates in August 2007 ("Acquisition of Kingsmen Affiliates") were effected on 1 January 2006.
- (b)
  - i) For the purpose of computing the NTA of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition was effected on 31 December 2006.
  - ii) For the purpose of computing the NTA of the Group after the Proposed Acquisition, it is assumed that the Proposed Acquisition together with the placement of the 20,000,000 new shares which took place in April 2007 and the Acquisition of Kingsmen Affiliates in August 2007 were effected on 31 December 2006.

##### Earnings per share ("EPS")

i)

	<b>Before Proposed Acquisition</b>	<b>After Proposed Acquisition</b>
<b>FY2006</b>		
<b>- Net profit attributable to shareholders (S\$'000)</b>	4.937	5.355
<b>- EPS (cents)</b>	4.88	5.17

ii)

	Before Proposed Acquisition	Adjusted for Placement in April 2007 & Proposed Acquisition of Kingsmen Affiliates	After Proposed Acquisition
<b>FY2006</b>			
- Net profit attributable to shareholders (S\$'000)	4,937	5,942	6,360
- EPS (cents)	4.88	4.91	5.15

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

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

Net Tangible Assets ("NTA")

i)

	Before Proposed Acquisition	After Proposed Acquisition
<b>As at 31 December 2006</b>		
- NTA (S\$'000)	15,861	14,769
- Number of shares ('000)	101,094	103,589
- NTA per share (cents)	15.69	14.26

ii)

	Before Proposed Acquisition	Adjusted for Placement in April 2007 & Proposed Acquisition of Kingsmen Affiliates	After Proposed Acquisition
<b>As at 31 December 2006</b>			
- NTA (S\$'000)	15,861	17,066	15,974
- Number of shares ('000)	101,094	121,094	123,589
- NTA per share (cents)	15.69	14.09	12.92

The decrease in NTA of the Group after the Proposed Acquisition is due to the cash payment of S\$8.023 million for the Acquisition of Kingsmen Affiliates and S\$1.544 million on the Proposed Acquisition and offset by net proceeds of approximately S\$8.4 million from the placement of the 20,000,000 new shares to fund the Acquisition of Kingsmen Affiliates, which took place in April 2007.

## 6. 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. Rule 1006 sets out the computation for relative figures. The relative bases computed on the bases set out in Rule 1006 are, as follows :-

Rule 1006	Basis	
(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	8%
(c)	The aggregate value of the considerations given or received, compared with the issuer's market capitalisation	4%
(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	2%

The ratios in respect of bases (b) and (c) of Rule 1006 have been calculated, as follows:

Basis	%	Profit Attributable / Consideration Relating to Proposed Acquisition (\$)	Group's Net Profit for the Year-Ended 31 December 2006	Market Capitalisation as at 16 October 2007
(b)	8	417,932	4,937,000	Not applicable
(c)	4	3,044,000	Not applicable	76,246,894*

Note: \* \$0.615 X 123,978,690

On the basis of (b) above, the Proposed Transaction is a "discloseable transaction" only.

## 7. Funding for the Proposed Acquisition

The cash portion of the Proposed Acquisition will be funded by internal resources.

## 8. Interests of Directors and Substantial Shareholders

Mr Soh Siak Poh Benedict, the Executive Chairman, is a director of Kingsmen North Asia. Save as aforesaid, none of the Directors or controlling shareholders has any interest in the Proposed Acquisition.

## 9. 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.

**10. Additional Listing Application**

The Company will be submitting an additional listing application to the Singapore Exchange Securities Trading Limited, for the listing and the quotation of the Consideration Shares.

By Order of the Board

Submitted by Soh Siak Poh Benedict, Executive Chairman to SGX on 16 October 2007.